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Annual Service Plan Report

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Organization Overview

The Oil and Gas Commission (OGC or Commission) was established under the *Oil and Gas Commission Act* in July 1998 as part of the Provincial Government's Oil and Gas Initiative. This independent public agency is fully financed by the oil and gas industry through fees and levies.

The Commission is responsible to regulate British Columbia's oil and gas sector. It has a legislated mandate to make decisions on oil and gas applications, considering broad environmental, economic and social effects. It also has a responsibility to consult with First Nations, engage stakeholders, ensure safe operating practices, and streamline regulatory processes.

Our Vision is:

"To be the innovative regulatory leader, respected by stakeholders, First Nations and clients."

Our Mission is:

"Regulating Oil and Gas Activity:

- *through fair, consistent, responsible and transparent stakeholder engagement,*
- *for the benefit of British Columbians,*
- *by balancing environmental, economic, and social outcomes."*

Our Core Values are that:

"We Commit to Integrating the Following in Everything We Do:

- *We are truthful and do our duty above all else in the performance of our responsibilities.*
- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.*
- *We are accountable through our service plan.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We embrace change that enables personal and organizational growth.*
- *We promote a positive and rewarding work environment."*

Our Key Success Factors are:

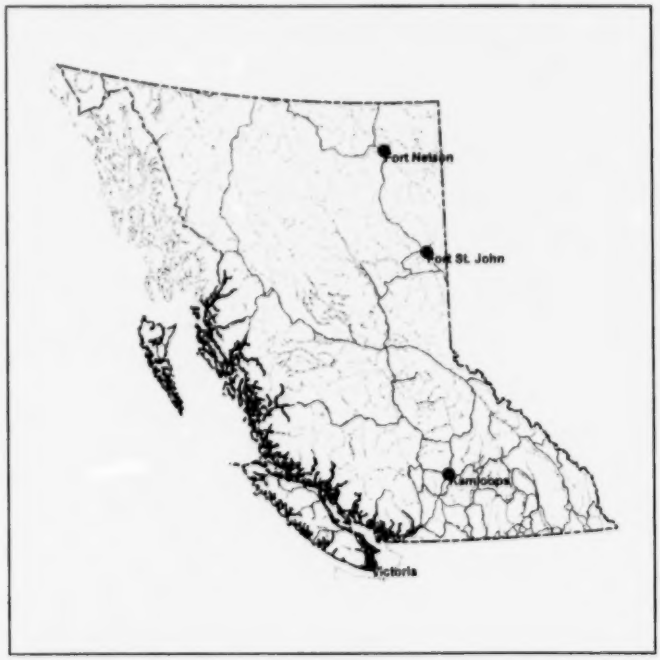
- *"Upholding our core values*
- *Understanding and focusing on core services*
- *Building and sustaining competence within the organization.*
- *Anticipating and responding to short- and medium-term demands for the services of the organization*
- *Staying close to communities, clients, and stakeholders*
- *Recognizing barriers and developing initiatives to close performance gaps*
- *Aligning and focusing organizational energy on achieving performance targets*
- *Continuously improving business processes and technological support"*

Core Values are integrated into day-to-day operations in a number of ways:

- The efforts of staff to use the core values as a guide for work activities and as a 'lens' to assess problems and situations
- The efforts of program managers to ensure that program delivery is consistent with core values
- The efforts of Executive to ensure that leadership is exercised with consistency to core values

Goals and objectives are linked to the Commission's mission and vision through strategic planning exercises. The Executive team formulates goals, objectives, and strategies that promote our mission and vision, in the context of government policy direction.

The Commission's head office is located in Fort St. John. There are additional offices in Fort Nelson, Kamloops, and Victoria.



The Commission started the year with 125 positions (99 filled) and ended the year with 139 positions (127 filled). The increase in positions was authorized to meet a significant growth in industry activity over the previous fiscal year.

The Commission reorganized internal operations on September 3, 2003, following an assessment of the organizational design. The new structure was established to operationalize core business activities and to better meet client and stakeholder needs.

There are now three divisions in the Commission:

1. Operations Division

    - Project Assessment Branch
    - Compliance and Enforcement Branch
    - Operations Engineering Branch
    - Resource Conservation Branch

2. Relationships and Client Services Division

    - Regulatory Affairs Branch
    - Aboriginal Relations and Land Use Branch
    - Stakeholder Relations and Client Services Branch
    - Science and Community Environmental Knowledge Fund

3. Corporate Services Division

    - Strategic Planning & Performance Reporting
    - Finance and Administration Branch
    - Human Resources Branch
    - Financial Planning Branch
    - Information Systems Branch
    - Advisory Committee Administration

The primary or core services of the Commission are:

1. Assessment of oil and gas applications
2. Compliance and enforcement of oil and gas activities
3. Consultation with First Nations on oil and gas applications

The Commission has both clients and stakeholders. Clients are industry firms and their representatives. Those representatives are the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC). Stakeholders are groups and individuals outside of the Commission that may influence decisions. Stakeholders include First Nations, local and regional governments, environmental organizations, community groups, private landowners and others.

This grouping is used to simply and concisely categorize external parties who play a role in the operations and development of the organization. Neither group plays a more or less important role than the other.

The Commission does not have business partners in the traditional sense. The Commission has a number of contracted service providers, mostly from within government. These service providers include the Public Service Agency, Ministry of Management Services' Payroll Services, and Common Information Technology Services.

It is important to note the distinction between the Ministry of Energy and Mines and the Oil and Gas Commission. While government determines policy, the Commission regulates according to that policy. The OGC is not responsible to set or directly evaluate government policy. The Ministry of Energy and Mines is the oil and gas resource manager and determines where tenures will be sold and the conditions that will guide activity on those tenures.

The Commission has established Memorandums of Understanding (MOU's) with a number of ministries and public agencies. The MOU's identify or clarify service levels and articulate how communication or work practices can be improved. The MOU's can assist the Commission to achieve its goals and objectives by promoting clear communication protocols and identifying clear deliverables.

A new governance structure was approved by government under the *Energy and Mines Statutes Amendments Act, 2002*, and implemented on June 24, 2003. A three-member Board of Directors governs the Commission. The Deputy Minister of Energy and Mines is the Chair. Dr. Sheila Wynn holds this position. The Commissioner is Vice Chair. Mr. Derek Doyle holds this position. The third Director is a government appointee, and is held by Mr. John Bechtold. The responsibilities of the Board include:

- Establishing the Commission's organization
- Providing strategic direction to the Commission
- Ensuring appropriate plans, programs, and policies are in place
- Approving the Commission's budget, service plan, and regulatory initiatives
- Reviewing the Commission's performance to planned targets and budgets

The Commissioner continues to be responsible for the operations of the Commission.

Detailed information regarding the Commission's governance framework is included at the end of this Report.

Information regarding program delivery can be found in Appendix 1.

The Commission receives advice from several groups. Those groups are listed on the next page.

- Advisory Committee: A group of eight individuals who are appointed by government from external stakeholder groups. The Advisory Committee also assesses Requests for Reconsideration by Alternate Dispute Resolution under the authority of Section 9 of the *Oil and Gas Commission Act*. Detailed information is available in Appendix 2.

- Practice Advisory Group (PAG): A volunteer group that consists of a steering committee and eight sub-committees, each with expertise in a particular operational area of the oil and gas industry. PAG is a joint initiative between the Commission and the oil and gas industry that is intended to raise issues of mutual concern and to work toward a resolution of those issues. Further information about PAG is available in Appendix 3.

- Best Practices Working Group (BPWG): A group composed of government and industry members to address regulatory efficiency and service delivery issues in British Columbia related to petroleum and natural gas activities. The Oil and Gas Commission has a representative on the BPWG. Further information about BPWG is available in Appendix 4.

- Finally, the Commission receives advice from First Nations, local governments, federal and provincial agencies, CAPP, and SEPAC – along with many other stakeholders who contribute to our continuous improvement.

The Board, Board Audit Committee, and the Advisory Committee all play a role to ensure that Commission staff exercise the duties of their positions in a manner consistent with our core values. They also ensure that services are delivered in a manner consistent with broader public sector values. Those values are outlined in Appendix 5.

In summary, the Oil and Gas Commission provides an important public service by regulating oil and gas activities in the province of British Columbia.

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Message from the Chair to the Minister of Energy and Mines

Dear Honourable Minister Neufeld:

I am pleased to present the Oil and Gas Commission Annual Service Plan Report for 2003/2004.

Given current high commodity prices and dwindling North American commodity inventories, the province is experiencing an unprecedented level of oil and gas activity. During 2003/2004, government announced two Oil and Gas Development Strategies. These strategies are helping to spur significant industry investment and activity in B.C.

The high level of activity made the year challenging for the Commission, and led to increased pressures to prioritize activities within the Commission. The Board asked management to focus on successfully managing the growth of the industry. Management responded by developing new initiatives, and by allocating resources expeditiously to high priority areas such as the Project Assessment Branch and the Compliance and Enforcement Branch.

On behalf of the Board, I would like to commend the staff for their performance in this period of intense industry growth.

The 2003-2006 Service Plan identified 56 strategies and 17 performance targets for 2003/04. Two strategies and eight performance measures were cancelled in the first Quarter due to the cost implications and the need to re-prioritize the efforts of the organization based on direction from the Board. As a result, 54 strategies and nine performance measures were in place for the year.

I am pleased to report that the Commission successfully accomplished 49 of the 54 strategies (91%) and met or exceeded all nine performance measures (100%).

A complete Performance Report is included in this Annual Service Plan Report.

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The Board is working with the Commission Executive team to ensure that future strategic plans allow for operational and strategic flexibility as we move towards a more results- and performance-based model. Those plans will be realistic, flexible, and fully aligned with government policy direction.

Risk management is an important component of the Board's governance role. The Board Audit Committee has directed the engagement of an independent professional to make a full risk assessment of the Commission. The Committee will assess appropriate next steps once it has reviewed the findings. Next year, the Commission will prepare an Enterprise Risk Management Plan. Together, these tools will assist management in formulating informed risk-managed and results-based strategies. Detailed comments related to risk measurement and management are outlined later in this report.

The Commission continues to focus on strategies related to results-based regulatory practices, continuous improvement, and business process review and automation. Achievements are highlighted in the Performance Report. Planned strategies can be found in the 2004-2007 Service Plan

For 2004/05, the Commission will spend considerable effort on the Oil and Gas Regulatory Improvement Initiative. This initiative is a joint exercise between the Ministry and the Commission to identify further opportunities to consolidate, integrate and harmonize all oil and gas industry requirements and to advance results-based regulatory practices.

In October 2003, the Commission celebrated its fifth year of operation. The Board would like to congratulate the Commission on reaching this milestone. We feel the Commission is very well positioned to be the innovative regulatory leader in the *next* five years as this province becomes the most competitive jurisdiction in North America for oil and gas exploration, production, and distribution.

Sheila Wynn

Dr. Sheila Wynn
Chair

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Accountability Statement

The 2003/2004 Oil and Gas Commission Annual Service Plan Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the content of the report, including the selection of performance measures and the reported results. All significant decisions, events and identified risks, as of June 11, 2004, have been considered in preparing the report.

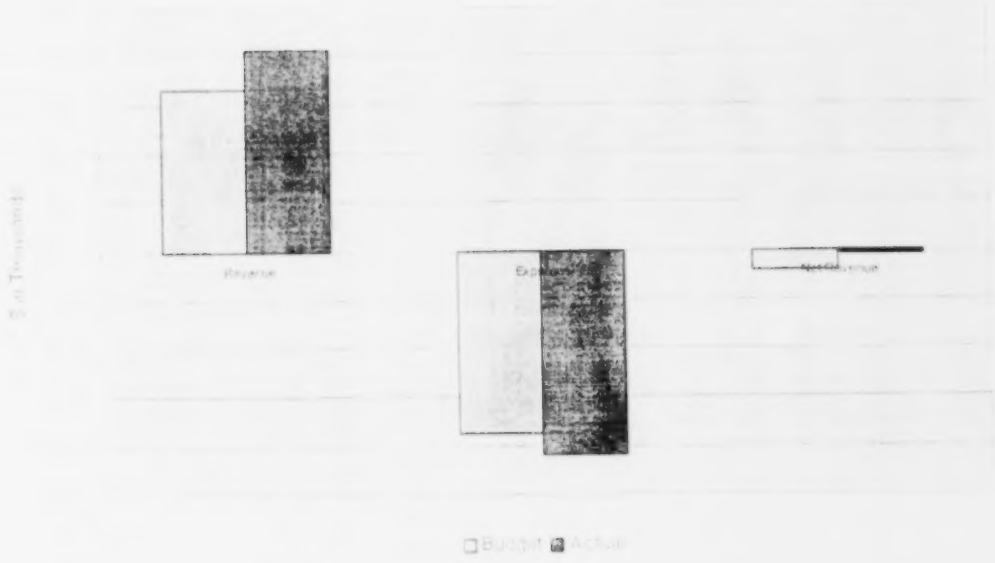
Dr. Sheila Wynn
Chair

Derek Doyle
Commissioner & Vice Chair

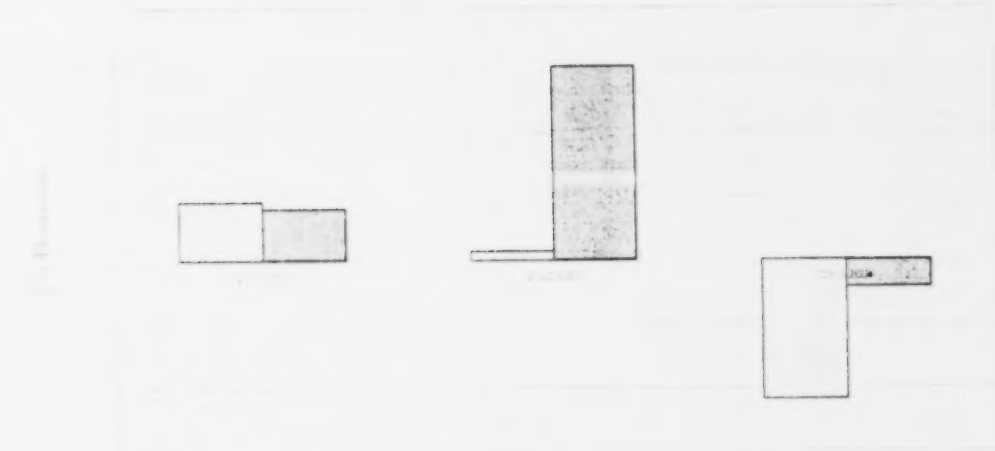
OGC

The Year in Review

- The Commission budgeted for expenses to exceed revenues in the amount of $2,183 Million. The Commission ended the year with expenses exceeding revenues by $0.427 Million. The principal reason for the favorable variance was a very high level of industry activity during the year which increased revenue significantly over the budgeted and forecasted amounts.



- The Commission has had a favorable variance for two years in a row.



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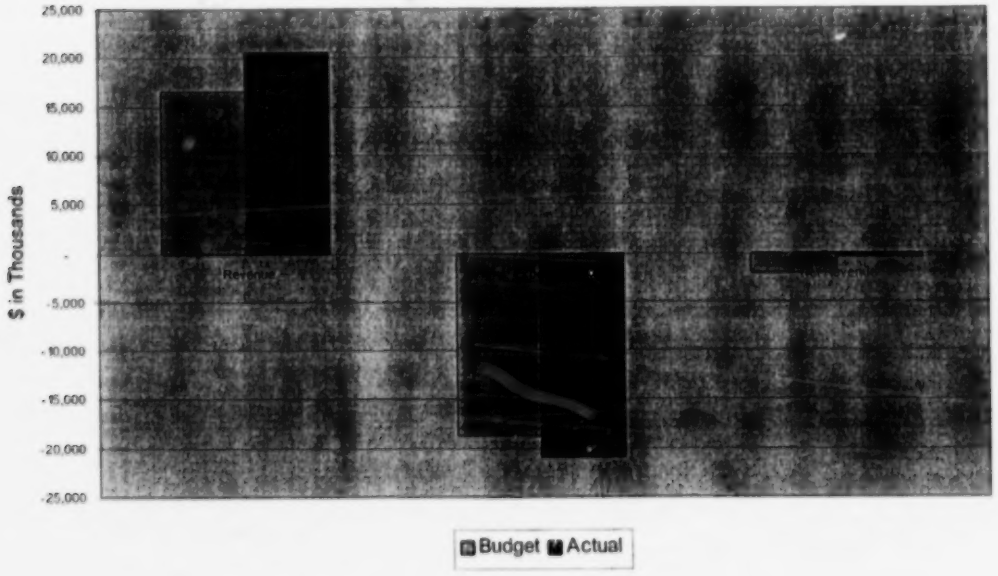

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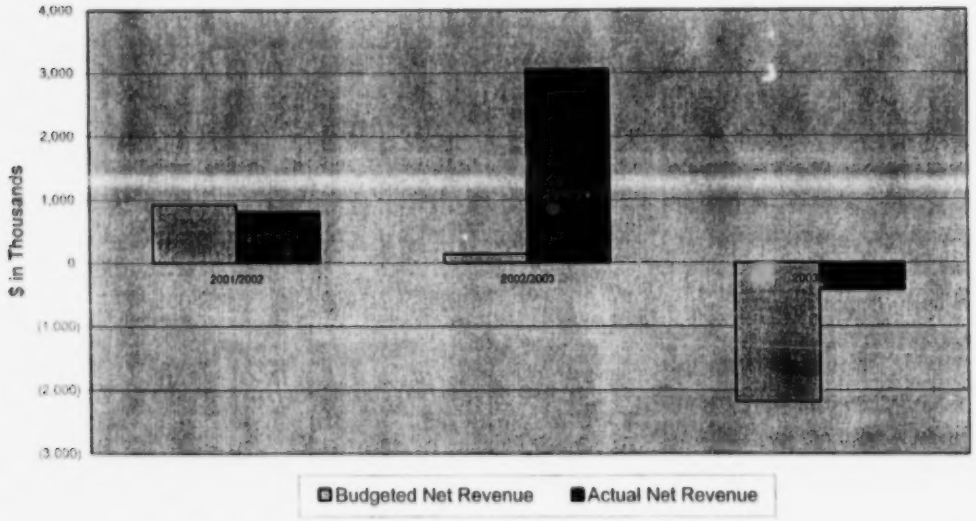
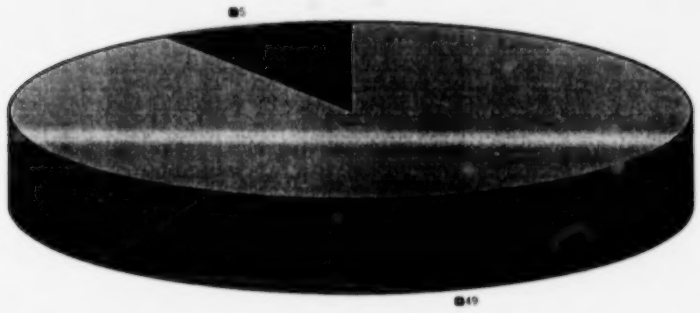
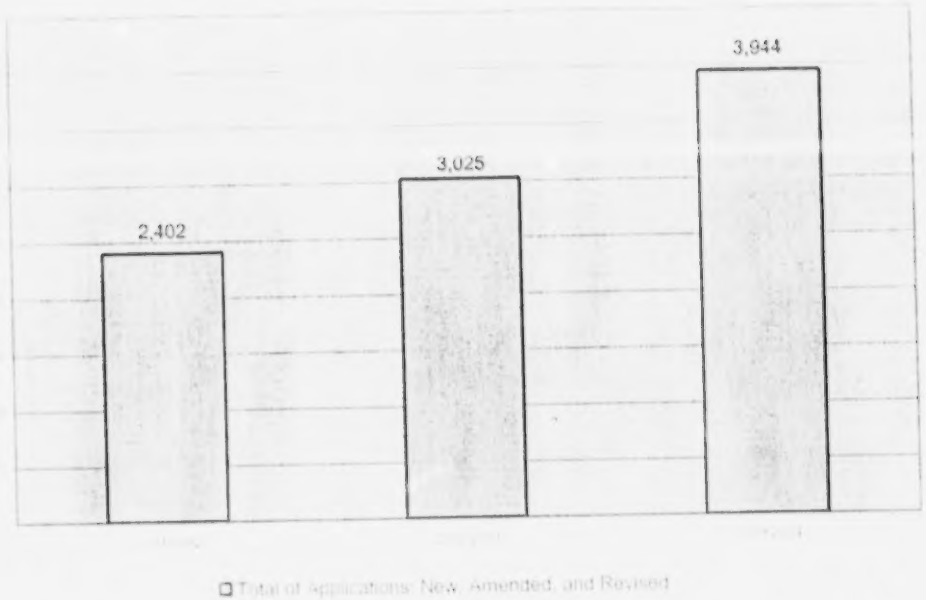


- The Commission completed 91% of planned strategies for the year:



- The Commission measured nine of the original 17 performance targets during the year. All nine targets, or 100%, were achieved. Eight performance targets, most of which related to satisfaction surveys, were deferred or cancelled because of the projected costs or because they did not focus on the few, critical aspects of performance.

- The number of applications continues to grow each year:



- The average cost per new application fell 7% from last fiscal year to this fiscal year. This measure gauges overall efficiency. It takes into account operating costs and new applications for wells, pipelines, and geophysical work.

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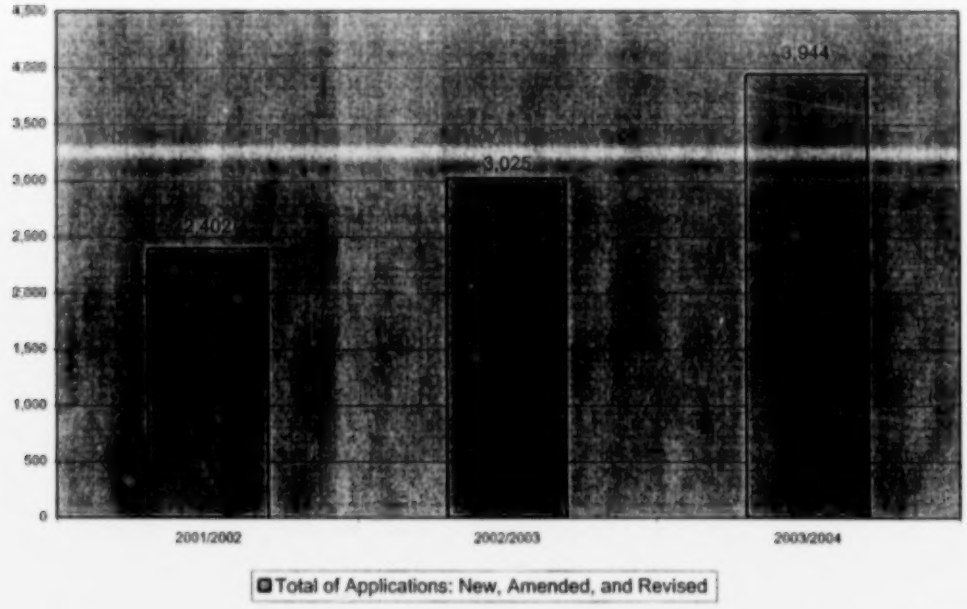

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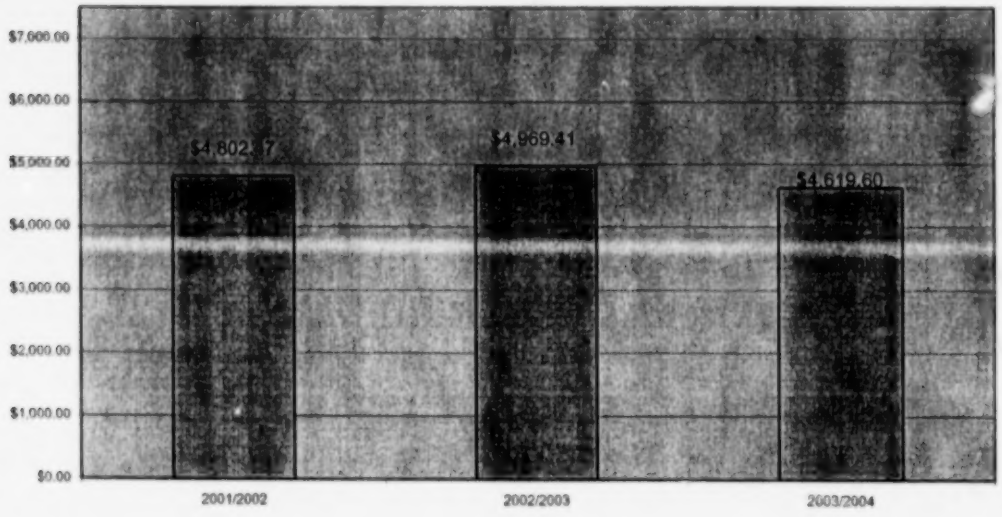

Performance Report

Results of Operations

The 2003-2006 Service Plan identified 56 strategies and 17 performance targets for 2003/04. The Commission, with direction from the Board, reduced the number of performance measures by eight and the number of strategies by two.

As a result, 54 strategies and nine performance measures were in place for the year.

The Commission implemented 49 of the 54 strategies, or 91%. All nine performance targets were achieved, or 100%.

The Commission achieved four strategies for 2004/05 in 2003/04, one year ahead of schedule.

There are two principal reasons why eight performance measures and five strategies were deferred or cancelled.

First, the Commission re-allocated human and other resources to successfully manage the significant growth in the industry. (Please refer to Appendix 6.) This external factor was a significant challenge to the achievement of planned targets and strategies. Management of industry growth became a dramatic new priority for the Commission. Human resource capacities were clearly at their limit: the Commission experienced record overtime expenditures. With very limited resources, the Commission re-prioritized planned activities.

Second, the cost of measuring five performance targets related to satisfaction levels proved to be quite prohibitive. Preliminary estimates were obtained and assessed to be uneconomical. As a result, the decision was made to defer planned satisfaction surveys.

Performance achievements were therefore not as complete as originally anticipated due to these unforeseen circumstances. Last fiscal year, there were no material unforeseen circumstances and the "survival rate" of performance measures was 100%.

No new performance measures were introduced during the year, and this is consistent with the last fiscal year.

The Commission experienced a 38% increase in new applications from fiscal year 2002/03 to 2003/04. To meet the increased workload, an 11% increase in the staffing level was required.

The achievement of short term goals and performance targets has affected long term goals through an iterative process of goal and target refinement based on continuous improvement. For example, the relatively easy accomplishment of certain targets suggested that a more aggressive target could be shown for the future. Refined targets have been identified in this report as well as in the 2004-2007 Service Plan.

Looking Ahead – The 2004-2007 Service Plan and Beyond

The performance management framework of the Commission is a work-in-progress. The Commission is a relatively young organization in a very dynamic environment. The primary focus has been on building operational processes and managing industry growth. Nevertheless, many planning and performance measurement improvements were made in 2003/04. For example, management adopted new and formal strategic planning models and guidelines, including:

- Logic Modeling
- The Balanced Scorecard ®
- Crown Agencies Secretariat Guidelines
- Public Performance Reporting Principles

The use of those models have led to a number of performance management changes at the Commission. Those changes are referenced below and reflected in the 2004-2007 Service Plan. A preliminary Balanced Scorecard Strategy Map is in Appendix 7.

The first change was to focus on goals rather than objectives. Management wanted to concentrate on outcomes rather than outputs or activities. The Commission had the following four objectives in the 2003-2006 Service Plan:

S Enhance our **S**ingle-Window approach to regulating
P Move to a Results and **P**erformance-based regulating system
E Continue to improve **E**fficiency and **E**ffectiveness, including emphasis on deregulation
C Establish a **C**ollaborative approach with First Nations

Mid year, management determined that these objectives were not outcome-oriented; they could more appropriately be called strategies. As a result of strategic planning exercises, the Senior Management Team developed the following six outcome-oriented *goals*:

S We will continue to improve public **S**afety, protection of the environment, and conservation of petroleum resources.
T We will make **T**imely and informed decisions based upon the input we receive.
R We will strengthen our **R**elationships with stakeholders, First Nations, and clients.
O We will improve our **O**perations and broaden our one-window service to industry.
N We will **N**urture a personal-best performance environment for our employees.
G We will **G**enerate and sustain a financial position – fully supported by industry – that is fair, reasonable, and includes sufficient working capital.

The Commission will continue to deliver performance results despite the change in goals because it is a refinement rather than a wholesale reframing of priorities.

The second change was to ensure that performance measures are specific, measurable, achievable, realistic, and timely. They must also focus on the few, *critical* aspects of performance.

The Commission had 17 performance measures for 2003/04. Mid year, management determined that many were unspecific, unachievable, and unrealistic. Furthermore, they did not appear to focus on the few, critical aspects of performance. In the 2004-2007 Service Plan, there are 11 performance measures. These measures meet the five criteria outlined above. They also focus on the few, critical aspects of performance because they are now explicitly linked to our core business areas. Four of the 11 measures are new. Their introduction reflects the improvements in performance management being undertaken by the Commission.

The third change was to establish a more concise list of corporate strategies. The Commission had 56 strategies for 2003/04. Mid year, management determined that many of them appeared to be branch or division tactics. While still useful, it was not appropriate for them to be captured in an organizational strategic plan. In the 2004-2007 Service Plan, the Commission has 24 strategies. The overall number of strategies within the Commission is approximately the same; however, only corporate strategies will be shown in the Service Plan.

Next year, the Commission will adopt further improvements to performance measurement and strategic planning. For example the Commission is interested in adopting a more holistic approach to performance reporting.

Management is working much more closely with clients and stakeholders to determine issues and measures that are truly important to them. One result of those discussions has been a comprehensive review of Commission metrics by an independent data analyst professional. This review has informed management and the Board of necessary improvements to performance measurement. The enhancements will be implemented in 2004/05.

Supplementary planning tools have been created to ensure that resources and strategies are aligned throughout the Commission. Those tools include a corporate Information Systems and Technology Plan and a corporate Human Resource Plan. Copies are available upon request.

OGC

Benchmarking

The Commission occupies a unique role with its single-window service to industry. Research has been conducted, and throughout North America no regulatory agency provides the range of services that the Commission provides.

The following table outlines the unique role of the Commission. The information was collected by an independent data analyst professional:

Responsibility	OGC	AEUB (Alberta)	SIR (Sask.)	WOGCC (Wyoming)	COGCC (Colorado)
Lease mineral rights			x	x	x
Adjudicate Well Site (or well drilling) applications	x	x	x	x	x
Adjudicate Pipeline applications	x	x	x		
Adjudicate Facility applications	x	x			
Adjudicate Geophysical applications	x			x	x
Perform onsite technical inspections	x	x	x		
Consult with First Nations	x				
Mitigate environmental issues	x	x	x		
Issue authority to occupy public land	x				
Issue authority to cut timber on area of occupation	x				
Issue authority to build and use roads	x				
Consult with stakeholders	x	x			
Review archaeology assessment	x				
Mitigate Heritage Issues	x				

Only a few regulatory agencies throughout North America provide performance measures and targets. For example, the Wyoming Oil and Gas Conservation Commission lists no performance measures. However, where an agency has a measure and it is reasonably comparable, it will be shown as a benchmark.

The Commission will now attempt to identify benchmarks from regulatory agencies elsewhere in the world.

The Commission is also investigating the development of innovative benchmarks. One such possible benchmark is a satisfaction index, as determined by industry clients, that compares the Commission with regulatory agencies in other provinces or states.

Finally, the Commission is partnering with the Alberta Energy and Utilities Board (AEUB) and other agencies to establish performance measures and identify benchmarks that could be useful to regulatory agencies throughout North America. The project is being led by the AEUB, and the OGC is a member of the Working Committee. Data collection is scheduled for the summer of 2004, and the final report is scheduled to be released in September 2004.

Format of the Performance Report

The format of the Performance Report follows the format of the 2003-2006 Service Plan. This arrangement allows for easy cross-referencing.

Where a strategy or performance target was achieved, you will see:	☑
Where a strategy was not achieved, you will see:	x

Historical performance has been included if it is available and applicable.

Comments will be included for each measure, including:

- Why the measure was selected
- How the data or information was collected
- How confident management is in the accuracy of the data or information
- How the measure is linked to a priority of government

At the conclusion of the corporate Performance Report, performance information will be shown by Division. This information will include achievements broken down under the SPEC heading.

Next year, the Commission will present performance information in an improved format.

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Adjudicate Facility applications	X	X			
Adjudicate Geophysical applications	X			X	X
Perform onsite technical inspections	X	X	X		
Consult with First Nations	X				
Mitigate environmental issues	X	X	X		
Issue authority to occupy public land	X				
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Issue authority to build and use roads	X				
Consult with stakeholders	X	X			
Review archaeology assessment	X				
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OGC

Goal A
To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all
Objective #1
Broaden our single-window approach to regulating
Description
The Commission was established to act as the single point of regulating the oil and gas industry. The purpose of this objective is to further this work.
Strategies and Results
☑ Develop specific actions for provincial consideration to reduce land tenure conflicts ☑ Establish close synergistic working relationship with Worker's Compensation Board ☑ Establish close working relationship with Department of Fisheries and Oceans Canada and the provincial Conservation Service ☑ Develop comparative performance data between jurisdictions **2004/05 Strategy Achieved in 2003/04:** ☑ Examine the merit of combining all Commission powers into a single Act
Performance Measure and Results
Percent of oil and gas regulatory functions inside the Commission's jurisdiction 2001/02: Actual: 65% 2002/03: Actual: 85% 2003/04: Target: 90% 2003/04: Actual: 90% ☑ Target Achieved This measure is computed by looking at all regulatory functions that effect oil and gas companies and assessing how many the Commission is responsible for. There are functions that the Commission will not regulate if the Commission's involvement is not justified by the benefits to industry and government. This measure was selected because it brings certainty and simplicity to industry, efficiency and effectiveness to Commission operations, and alignment with government's single-window business approach. This performance measure is subjective; it is a management estimate. Rather than identifying all the regulations that impact the oil and gas industry, the focus is on those that directly and significantly impact upstream activities. Management's confidence in the accuracy of the data is relatively high because the seasoned judgment of several senior managers is used. This measure demonstrates a linkage with government priorities because a government strategy is to "Continue to expand one-stop permitting and licensing in key sectors". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal). Strategies that led to the target being achieved included the signing of the OGC/Agricultural Land Commission Delegation Agreement, and the OGC/Water, Land and Air Protection MOU regarding Coalbed Gas Produced Water Discharge. Efforts will continue to enhance the single-window approach, such as by collaborating with other ministries and agencies to streamline regulatory responsibilities. Management has been unable to locate a relevant benchmark throughout North America. Please refer to the section 'Benchmarking' at the start of this Performance Report. 2004/05:Target: 90%

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Goal A
To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all
Objective #2
Move to a results and performance-based regulatory system
Description
The Commission is moving to performance-based regulating, following government direction. The concept is that the regulator will move away from telling industry how to do things and instead focus on what must be accomplished (or protected). This will allow for flexibility and innovation by industry.
Strategies and Results
☑ Move to targeted use of General Development Plans ☑ Enhance the system to monitor and record the performance of companies ☑ Conduct pre-application field visits with industry in sensitive areas to develop the results desired by the Commission ☑ Expand use of review corridors and self-amendment ☑ Review input from and support the Practice Advisory Group **2004/05 Strategies Achieved in 2003/04:** ☑ Develop results permitting system for NEBC streams and establish data inventory of crossings and water diversions ☑ Establish initiatives to reward companies that improve environmental performance and surpass performance goals ☑ Identify results that are desired under the Commission's regulatory role and communicate them to industry and stakeholders
Performance Measure and Result
Percent of applications that are results-based 2001/02: Estimate: 15% 2002/03: Target: 25% 2002/03: Estimate: 25% 2003/04: Target: 30% 2003/04: Not measured. See below. This measure was initially selected because it demonstrates movement from a prescriptive regulatory burden to a results-based, best-practices model. The measure is very subjective. It is a management estimate based on an assessment of accomplishments to date and identified future activities. Management's confidence in the accuracy of this measure was low. As a result, the measure was deleted during the year. Management determined that this target could not be measured with any degree of confidence. Strategies relevant to this area have continued and will continue. For example, the Commission will pursue additional risk-managed, results-based, and best-practices initiatives. This measure demonstrated a linkage with government priorities because a government strategy is to "Implement a streamlined, science-based, results-oriented regulatory approach to protect human health and the environment and ensure effective enforcement". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal). Management has been unable to locate a relevant benchmark throughout North America. Please refer to the section 'Benchmarking' at the start of this Performance Report.

Goal A
To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all
Objective #1
Broaden our single-window approach to regulating
Description
The Commission was established to act as the single point of regulating the oil and gas industry. The purpose of this objective is to further this work.
Strategies and Results
☑ Develop specific actions for provincial consideration to reduce land tenure conflicts ☑ Establish close synergistic working relationship with Worker's Compensation Board ☑ Establish close working relationship with Department of Fisheries and Oceans Canada and the provincial Conservation Service ☑ Develop comparative performance data between jurisdictions **2004/05 Strategy Achieved in 2003/04:** ☑ Examine the merit of combining all Commission powers into a single Act
Performance Measure and Results
Percent of oil and gas regulatory functions inside the Commission's jurisdiction 2001/02: Actual: 65% 2002/03: Actual: 85% 2003/04: Target: 90% 2003/04: Actual: 90% ☑ Target Achieved This measure is computed by looking at all regulatory functions that effect oil and gas companies and assessing how many the Commission is responsible for. There are functions that the Commission will not regulate if the Commission's involvement is not justified by the benefits to industry and government. This measure was selected because it brings certainty and simplicity to industry, efficiency and effectiveness to Commission operations, and alignment with government's single-window business approach. This performance measure is subjective; it is a management estimate. Rather than identifying all the regulations that impact the oil and gas industry, the focus is on those that directly and significantly impact upstream activities. Management's confidence in the accuracy of the data is relatively high because the seasoned judgment of several senior managers is used. This measure demonstrates a linkage with government priorities because a government strategy is to "Continue to expand one-stop permitting and licensing in key sectors". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal). Strategies that led to the target being achieved included the signing of the OGC/Agricultural Land Commission Delegation Agreement, and the OGC/Water, Land and Air Protection MOU regarding Coalbed Gas Produced Water Discharge. Efforts will continue to enhance the single-window approach, such as by collaborating with other ministries and agencies to streamline regulatory responsibilities. Management has been unable to locate a relevant benchmark throughout North America. Please refer to the section 'Benchmarking' at the start of this Performance Report. 2004/05:Target: 90%

Goal A
To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all
Objective #2
Move to a results and performance-based regulatory system
Description
The Commission is moving to performance-based regulating, following government direction. The concept is that the regulator will move away from telling industry how to do things and instead focus on what must be accomplished (or protected). This will allow for flexibility and innovation by industry.
Strategies and Results
☑ Move to targeted use of General Development Plans ☑ Enhance the system to monitor and record the performance of companies ☑ Conduct pre-application field visits with industry in sensitive areas to develop the results desired by the Commission ☑ Expand use of review corridors and self-amendment ☑ Review input from and support the Practice Advisory Group **2004/05 Strategies Achieved in 2003/04:** ☑ Develop results permitting system for NEBC streams and establish data inventory of crossings and water diversions ☑ Establish initiatives to reward companies that improve environmental performance and surpass performance goals ☑ Identify results that are desired under the Commission's regulatory role and communicate them to industry and stakeholders
Performance Measure and Result
Percent of applications that are results-based 2001/02: Estimate: 15% 2002/03: Target: 25% 2002/03: Estimate: 25% 2003/04: Target: 30% 2003/04: Not measured. See below. This measure was initially selected because it demonstrates movement from a prescriptive regulatory burden to a results-based, best-practices model. The measure is very subjective. It is a management estimate based on an assessment of accomplishments to date and identified future activities. Management's confidence in the accuracy of this measure was low. As a result, the measure was deleted during the year. Management determined that this target could not be measured with any degree of confidence. Strategies relevant to this area have continued and will continue. For example, the Commission will pursue additional risk-managed, results-based, and best-practices initiatives. This measure demonstrated a linkage with government priorities because a government strategy is to "Implement a streamlined, science-based, results-oriented regulatory approach to protect human health and the environment and ensure effective enforcement". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal). Management has been unable to locate a relevant benchmark throughout North America. Please refer to the section 'Benchmarking' at the start of this Performance Report.

OGC

Goal A
To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all
Objective #3
Continue to improve efficiency and effectiveness
Description
The purpose of this objective is to recognize that as the Commission becomes more efficient, it can deliver improved services to industry and at lower costs.
Strategies and Results
☑ Share systems and processes with Land Water B.C. Ltd., as may be appropriate ☑ Review all regulatory burdens to look for eliminations ☑ Improve workflows on geological information ☑ Explore use of the government's Shared Services Initiative for possible efficiency gains
Performance Measures and Results
Regulatory Burden 2001/02: Actual: 7,874. Adjusted Base Actual: 7,338. 2002/03: Actual: 6,300 2003/04: Target: 5,430 2003/04: Actual: 4,688 ☑ Target Achieved This measure was selected because updated regulations benefit both industry and the Commission, and because the measure demonstrates alignment with government's deregulation initiative. This performance measure is objective. The Commission maintains a running count of regulatory requirements. Management's confidence in the accuracy of the data is high because reconciliations are made to the count by the government Deregulation Office. This measure demonstrates a linkage with government priorities because a government strategy is to "Continue to streamline government's legislation and regulations". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal). The Commission was successful at achieving a 36% decrease in regulations in just two years. The target was a 33% decrease over three years. Efforts will continue to decrease the number of regulations. Actions are taken as regulations are identified as outdated or unnecessary. Finally, the Ministry of Energy and Mines is leading an Oil and Gas Regulatory Improvement Initiative. The Commission is providing input into the initiative. Management has been unable to locate a relevant benchmark throughout North America. Please refer to the section 'Benchmarking' at the start of this Performance Report. 2004/05: Target: 4,892 (Original); Revised Target: TBA. **Satisfaction Rate** 2001/02: No target or actual. 2002/03: No target or actual. 2003/04: Target: 82% 2003/04: Not measured. See below. Benchmark: AEUB: Average satisfaction: 2000 Actual: 76%. Target: 80% or higher. Please refer to http://www.eub.gov.ab.ca/bbs/default.htm

OGC

Satisfaction Rate, Continued

This measure was initially selected because the satisfaction of clients and stakeholders is important to any public service organization. Management did not conduct a satisfaction survey during the year. At the request of the Board, management focused on successfully managing industry growth during the year.

This measure is being refined. Management has collapsed several planned satisfaction measures into one measure, and it is reflected in the 2004-2007 Service Plan.

2004/05: Target: TBA

Average Working Days to complete an Application

2001/02: Actual: 21 (Original); 23.87 (Revised)

2002/03: Target: 18

2002/03: Actual: 17.8 (Original); 17.07 (Revised)

2003/04: Target: 15

2003/04: Actual: 14.78

☑ Target Achieved – Third Party Verified

Benchmark: Colorado: "Process all complete drilling and recompletion permit applications within 30 days". No published results. Please refer to http://oil-gas.state.co.us/

This measure was selected because industry needs certainty for operational planning purposes. It is also an indicator of Commission efficiency. This performance measure is objective; data is maintained in the Commission's database system and audits are conducted on the appropriate tables. Management has high confidence in the accuracy of the data. The 'Revised' figures above were collected by an independent data analyst professional as part of a data verification exercise.

Commission and Ministry Executive have initiated a "New Metrics Project", led by the independent professional referenced earlier, to identify areas for performance measurement improvement. At the request of our clients, the following figures will be reported:

1. Working Days: All Applications
2. Working Days: New Applications Only
3. Calendar Days: All Applications
4. Calendar Days: New Applications Only

Please refer to the *Historical Operating and Financial Data* section of the Financial Report for a detailed presentation of these figures.

This measure demonstrates a linkage with government priorities because a government strategy is to "Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal).

Management is pursuing strategies to improve performance in the future. Numerous business process review and improvement projects have been initiated for 2004/05.

2004/05: Target: 15 (Original Target based on the 2003-2006 and 2004-2007 Service Plans. To be revised at the conclusion of the New Metrics Project).

OGC

Goal A

To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all

Objective #4

Enhance our collaborative approach with First Nations

Description

One of the core duties of the Commission is to develop relationships with First Nation communities and to consult with them on exploration and development applications. This objective recognizes a new approach to working together.

Strategies and Results

- ☑ Assist First Nation communities in accessing OGC Geographic Information Systems data
- ☑ Enhance the consultation process through expanded discussion, information sharing and compliance work
- ☑ Develop close working relationship in regards to compliance and enforcement
- ☑ Expand consultations into other areas of the province as oil and gas develops there
- ☑ Provide support to First Nation communities to access the Economic Measures Fund
- ☑ Facilitate pre-tenure consultation to First Nation communities for the Ministry of Energy and Mines
- X Establish a Commission office in Chetwynd that can support consultation with First Nation communities in that area

Performance Measures and Results

Satisfaction of First Nations

2003/04: Target: 70%

2003/04: Not measured.

This measure was initially selected because consultation with First Nations is a core business of the Commission. However, no surveys were conducted during the year. Management has amalgamated several planned satisfaction measures into one measure, and it is reflected in the 2004-2007 Service Plan.

Management has been unable to locate a relevant benchmark throughout North America. Please refer to the section 'Benchmarking' at the start of this Performance Report.

Consultations completed with written response

2003/04: Target: 3,800

2003/04: Actual: 4,383

☑ Target Achieved

This measure was selected because it brings certainty to industry for planning purposes. This performance measure is objective. The Commission maintains a running count of consultations completed with written responses. Management's confidence in the accuracy of the data is high. A commonly used and easily maintained software package tracks results. This measure demonstrates a linkage with government priorities because a government strategy is to "Establish workable relationships with First Nations communities". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal).

Strategies that led to the target being achieved included creating enhanced consultation activities, establishing closer working relationships, and encouraging increased participation in the Economic Measures Fund.

As a result of planning exercises by senior management, this measure is being refined. Effective April 1 2004, the Commission will instead measure "Percent of applications responded to by First Nations". This measure is considered to be more meaningful for clients and stakeholders.

Management has been unable to locate a relevant benchmark throughout North America. Please refer to the section 'Benchmarking' at the start of this Performance Report.

OGC

Goal B
Provide resources to meet our duty and provide benefit to BC
Objective #1
Enhance hydrocarbon (oil and gas) resource information available to industry so that investment risk is reduced
Description
The oil and gas industry makes decisions on what to develop and explore and where to invest based on limited information. BC has a strategic advantage in that it has very good information it can provide to potential investors. Hydrocarbon information is extremely valuable to industry for their investment decisions and to the Province for policy decisions.
Strategies and Results
☑ Digitize all new pool information at the beginning of the process ☑ Digitize all old pool information and make available on the web
Performance Measure and Result
New pools are analyzed and information is posted (including map) to the web as soon as pool is no longer confidential. 2003/04: Target: 90% within 90 days 2003/04: Not measured. See below. This measure was initially selected because it was considered to be important to clients. However, management decided to delete the measure during the year. There are several reasons for this action: the measure is ill-defined; there is no baseline data; and the measure relied on several information technology projects being completed before it could be successfully implemented. The measure is not included in the 2004-2007 Service Plan.

OGC

Goal B
Provide resources to meet our duty and provide benefit to BC
Objective #2
Reduce the risks to British Columbia and its citizens through improvements in safety, planning and compliance by industry
Description
Risks include human health, worker safety, environmental impacts and recovery levels of the oil and gas resource. Through a good safety and compliance program, the Commission can meet the needs of the public as well as ensure a level playing field for industry.
Strategies and Results
X Develop standards for BC for downstream Pipeline and Facility Integrity Management ☑ Annually conduct joint audits of the oil and gas industry with other Agencies ☑ Develop a campaign to improve compliance of *Waste Management Act* ☑ Finalize the Commission's Emergency Management Plan and conduct annual training exercises X Improve road regulation for the oil and gas industry to specifically address environmental issues, worker safety and reclamation measures ☑ Develop and implement a program to ensure wells and facilities are abandoned in a timely manner, enhance the drilling deposit system to limit the financial liability to the Province and identify and abandon orphan wells ☑ Develop spill response plans for lease areas ☑ Build a method of prioritizing and risk managing inspection work
Performance Measures and Results
Major compliance of exploration and development through joint audits 2002/03: Actual: 86% 2003/04: Target: 88% 2003/04: Actual: 88% ☑ Target Achieved **Major compliance of facilities and operations** 2002/03: Actual: 97% 2003/04: Target: 95% 2003/04: Actual: 95% ☑ Target Achieved Benchmark: AEUB: Percent of Major and Serious unsatisfactory incidence of non-compliance related to field inspection results: 2001/02 Actual: 4.4% 2004/05 Target: 3.5%. This measure was selected because it involves public safety, protection of the environment, and conservation of resources. This performance measure is relatively objective; results are based on audits and inspections by Compliance and Enforcement staff. Management's confidence in the accuracy of the data is therefore relatively high. This measure demonstrates a linkage with government priorities because a government goal is "Safe, healthy communities and a sustainable environment". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal). Strategies that led to the targets being achieved include increased compliance and enforcement activities and increased education to industry. Efforts will continue to improve industry compliance through such actions as conducting joint audits with other agencies as well as by holding support and education programs. 2004/05: Target: 90%: Exploration and Development. Target: 96%: Facilities, Rigs, & Operations.

OGC

Goal B
Provide resources to meet our duty and provide benefit to BC
Objective #3
Become the employer of choice with well trained and committed staff
Description
This objective includes improving staff morale and performance, ensuring staff safety, and improving staff recruitment and retention.
Strategies and Results
☑ Conduct annual staff planning and feedback sessions ☑ Develop and deliver corporate people enhancement plan – EmPower X Examine compensation in 'hot skills' areas using competitive factors ☑ Complete a Health and Safety Manual and Program ☑ Cross-train staff, between field and office ☑ Systematically conduct Exit Interviews to seek improvements to human resource management ☑ Promote staff involvement in community events X Develop and implement an employee development and succession plan
Performance Measures and Results
Satisfaction of Staff 2003/04: Target: 76% 2003/04: Not measured. This measure was initially selected because a Commission objective was to become an employer of choice with well trained and committed staff. Management did not conduct a satisfaction survey during the year due to the pressures of successfully managing industry growth. Performance measures relating to human resources have been refined. Please refer to the 2004-2007 Service Plan, and see the comments below.
Staff Turnover 2000/01: Actual: 9% 2001/02: Actual: 9% 2002/03: Actual: 5% 2003/04: Target: 15% 2003/04: Actual: 6% ☑ Target Achieved This measure was selected because a Commission objective was to become an employer of choice with well trained and committed staff. This performance measure is objective. Data is retrieved from the Corporate Human Resource Information System and inputted into an Excel spreadsheet. Management's confidence in the accuracy of the data is therefore high. This measure demonstrates a linkage with government priorities because a government strategy is to "Promote and sustain a renewed professional public service". (Please refer to the British Columbia Government Strategic Plan for 2004/05 to 2006/07, available at http://www.bcbudget.gov.bc.ca/stplan/stplan2.htm#goal). Strategies that led to the target being achieved included job enrichment programs, job enhancement initiatives, and career development initiatives. A corporate Human Resource plan has been developed that identifies strategies that should promote a greater level of human resource effectiveness and lower staff turnover. Benchmark: Government of British Columbia: 7.1% (2000/01). [Latest data available] 2004/05: Target: 10%

Goal B
Provide resources to meet our duty and provide benefit to BC
Objective #4
Conduct more of its business electronically with its clients
Description
Moving the Commission into the electronic commerce will improve our performance and assist our clients.
Strategies and Results
☑ Partner with Ministry of Provincial Revenue and the Alberta Energy and Utilities Board to examine a Western Canada Registry that electronically accepts all production information ☑ Commission enabled to take mapping data electronically ☒ Most drilling reports and information collected electronically ☑ Electronically record all consultation efforts with First Nations
Performance Measure and Result
Percent of client interactions done via the Internet 2003/04: Target: 10% 2003/04: Not measured This measure was initially selected because of the importance of electronic submission as a means of gaining internal efficiencies as well as improving client satisfaction. However, the measure was deleted during the year because it is ill-defined and not measurable with any significant degree of accuracy or verifiability. Management will instead focus on the performance measure "Average working [and/or calendar] days to complete applications". Please refer to the 2004-2007 Service Plan.

Goal C
Increase knowledge to help plan, avoid, mitigate and reclaim impacts of oil and gas activities
Objective #1
Expand the use of the Science and Community Environmental Knowledge Fund and its relevance to all.
Description
This fund is a re-priorization of the Environmental Research Fund which was a five-year, $5 million partnership with industry. The Fund is financed entirely by industry through fees and levies. The Commission administers the Fund on behalf of industry.
Strategies and Results
☑ Seek renewal of the fund for a further 5 years from CAPP and SEPAC ☑ Convene an annual conference to communicate results of the studies and identify future priorities ☑ Annually set specific funding into the four areas of research ☑ Enhance accessibility to the fund by First Nations ☑ Produce brochures describing how the fund works ☑ Produce a newsletter to describe the results of each completed study and how the results are used ☑ Hire a respected member of the scientific community to act as the advisor to the fund
Performance Measures and Results
SCEK Projects completed and reported 2003/04: Target: 7 2003/04: Actual: 11 ☑ Target Achieved **SCEK Funds Committed** 2003/04: Target: $1,500,000 (Original); $1,000,000 (Revised) 2003/04: Actual: $1,146,505 ☑ Target Achieved These measures were initially selected because a corporate goal was to "Increase knowledge to help plan, avoid, mitigate and reclaim impacts of oil and gas activities". Strategies that led to the targets being achieved included the signing of an extension to the fund, enhanced marketing of the fund, enhanced accessibility of the fund by First Nations, and numerous other actions. A summary report is available in Appendix 9. The measures will now be deleted. It is the assessment of management that the measures are not outcome-oriented. The measures would therefore serve more appropriately as internal fund targets. The second target was adjusted downward during the year because fewer project proposals were submitted than anticipated, and the long-term goal is to average $1,000,000 per annum.

OGC

Goal D
Become a stakeholder-centric organization
Objective #1
Develop a corporate culture of knowledge and awareness of the needs and expectations of clients, First Nations and stakeholder groups
Description
This objective focuses on the Commission's activities to improve its relationships with clients, stakeholders and First Nations.
Strategies and Results
☑ Expand the Commission's involvement in the community and community projects ☑ Hold informative workshops for clients on industry performance, process and regulatory changes ☑ Hold informative workshops and provide publications to respond to First Nations and stakeholder information needs ☑ Establish relationships with the agricultural community consistent with ALC delegation X Develop ADR ladder and supporting process ☑ Collaborate with industry task groups in the examination of issues ☑ Interactive work with local government, in particular on the annual Oil and Gas Conference
Performance Measures and Results
Improvement in stakeholder satisfaction 2003/04:Target: 65% 2003/04: Not measured Benchmark: Colorado: Hold appropriate meetings with Industry to solicit promotion ideas, share information and discuss issues. No published results. Please refer to http://oil-gas.state.co.us/ **Number of complaints satisfactorily handled (%)** 2003/04: Target: 80% 2003/04: Not measured These measures were initially selected because a Commission strategy was to "develop a corporate culture of knowledge and awareness of the needs and expectations of clients, First Nations, and stakeholder groups." Management did not establish systems to collect data related to these two measures. Management instead focused on successfully managing industry growth. Performance measures relating to client and stakeholder satisfaction have been refined. Please refer to the 2004-2007 Service Plan.

Operations Division

The Operations Division is composed of four branches:

- Compliance and Enforcement
- Operations Engineering
- Project Assessment
- Resource Conservation

The Compliance and Enforcement Branch strives to ensure the province's petroleum resources are explored, developed, maintained, transported, and utilized in a safe, efficient and environmentally sound manner, consistent with statutory and permit requirements.

The Operations Engineering Branch's purpose is to regulate the development and extraction of oil and gas. Responsibilities include public safety, environmental and fiduciary interests, rights of subsurface tenure holders, and resource information. This branch provides technical support to the other branches within the Operations Division. Its duties relate to management of the operational activities associated with developing and producing oil and gas subsurface resources in order to conserve oil and gas resources and major pools within the provincial proven reserves.

The Project Assessment Branch provides effective and efficient processes for the review of applications related to oil and gas activities (i.e. Geophysical, Wells, Pipelines, and Facilities), and approves applications that serve the public interest concerning environmental, economic, and social impacts.

The Resource Conservation Branch renders decisions, and ensures compliance with these decisions on oil and gas development and conservation proposals. The goal is to optimize resource recovery and provincial revenues while protecting the rights of tenure holders. The branch also provides technical information to industry in support of development of the province's hydrocarbon resources.

Operations Division – SPEC Achievements for 2003/04:

Single Window Service

- Signed an MOU with other provincial agencies defining the responsibilities for enforcement of the *Forest and Range Practices Act* as it applies to the oil and gas sector
- Signed an MOU with the Ministry of Water, Land and Air Protection (MWLAP) for efficient implementation and administration of the *Waste Management Act* and associated regulations
- Signed an MOU with the Ministry of Energy and Mines and MWLAP regarding coalbed gas produced water discharge
- Initiated the unification of enforcement services into the OGC to reduce the number of government agencies industry needs to deal with
- Signed a delegation agreement that gave the OGC authority to make decisions on specified oil and gas related non-farm use applications within the Peace River Regional District and Northern Rockies Regional District

Performance Based Regulation

- Designed and implemented a risk-managed and performance-based inspection system for pipelines and facilities
- Developed a Stream Crossing Planning Guide
- Proposed revisions to the Drilling and Production Regulation

Efficiency and Effectiveness

- Designed and implemented a web portal for stream crossings for industry to track and manage stream crossing construction and removal
- Amended the *Petroleum and Natural Gas Act* (PNG Act) to aid the decision-making process for coalbed gas projects
- Created the General Development Permit Guidance Document
- Created the Application Resource Book (ARB)
- Developed and released guidelines for Heliportable Drilling
- Presented educational seminars to oil companies in Calgary to enhance their understanding of BC regulatory requirements
- Translated representation of net pay of all oil and gas pools in BC to digital format

Collaboration with First Nations

- Expanded the First Nations liaison program pilot project
- Provided in-house training to First Nations communities on application review and decision-making processes
- Developed a Guidance Document for General Development Plans (GDPs) in collaboration with First Nations

OGC

Operations Division – Other Achievements for 2003/04:

Information Systems:

- Worked with the Ministry of Forests (MOF) to interface with their Forest Tenure Application System

Human Resources:

- Created the position of Landowner Liaison Inspector
- Initiated the staffing of the Enforcement Unit

Financial:

- Participated in the review of SCEK Fund proposals
- Assumed final decisions on drilling deposits

Other:

- Initiated the Emergency Management Plan (EMP)

Relationships and Client Services Division

The purpose of the Relationships and Client Services Division is to support the Oil and Gas Commission in the achievement of its goals by building strong relationships with stakeholders, consulting with First Nations, and serving client needs. The Division also supports the development of the oil and gas regulatory framework essential for the OGC to respond to social, environmental, economic and technical developments and government initiatives.

Relationships and Client Services Division – SPEC Achievements for 2003/04:

Single-Window Service

- Negotiated with Ministry of Water Land and Air Protection to designate the Oil and Gas Waste Regulation specified enactments
- Entered into a Delegation Agreement with the Agricultural Land Commission
- Worked with Ministry of Energy and Mines to establish the framework for the Oil and Gas Regulatory Improvement Initiative, currently underway
- Developed a draft results-based regulatory framework for oil and gas roads that has been incorporated into the Oil and Gas Regulatory Improvement Initiative
- Completed amendments to the Petroleum and Natural Gas General Regulation to eliminate minor fees and to the OGC Levy Regulation to replace the levy formulae with fixed levy rates

Performance Based Regulation

- Advanced the Commission's regulatory reduction initiative by reducing the regulatory count to 4,688 or 36%. The target is 4,892 or 33% by June 30, 2004.
- Amended three regulations under the *Petroleum and Natural Gas Act* (*PNG Act*), and brought amendments to the *PNG Act* and the *OGC Act* (Bill 36) into force

Efficiency and Effectiveness

- Ensured that the development of other agency statutes and regulations had limited unintended impacts on the petroleum sector including forestry and environmental legislation initiatives
- Led and assisted in the development of several MOU's with other provincial agencies
- Participated in public meetings and workshops
- Launched a new Emergency Response Plan to ensure that staff are trained and ready to respond to any level of emergency
- Ensured that responses to information requests were accurate and timely
- Developed information tools to inform and educate stakeholders
- Participated in the Muskwa-Kechika (MK) pre-tenure planning to determine best practices for MK oil and gas operations by developing guidelines for application submissions and geophysical activities

- Completed an assessment of the Commission's Alternate Dispute Resolution (ADR) processes as a first step in developing an effective conflict management system for the OGC that will be integrated with the public involvement process.

Collaboration with First Nations

- Developed new Agreements with First Nations: Dene Tha' was signed December 2003 and the Ktunaxa/Kinbasket Tribal Council is in final stages of negotiation
- Engaged communities in refining the GDP consultation process and completing reviews of 9 programs involving 346 wells
- Incorporated First Nations input from written responses into conditions for approval
- Supported First Nations' access to the Economic Measures Fund such as McLeod Lake's access to opportunities through joint ventures and business development
- Supported First Nations communities to establish functioning Geographic Information Systems (GIS) capability. Four communities are functioning with GIS.

Information on Alternate Dispute Resolution and the SCEK Fund is available in Appendices 8 and 9 respectively.

Corporate Services Division

The mandate of the Corporate Services Division is to fulfill financial and administrative responsibilities identified by statute in the *Oil and Gas Commission Act*, the *Financial Information Act*, the *Budget Accountability and Transparency Act*, the *Freedom of Information and Protection of Privacy Act*, and related Regulations and Directives.

The core responsibilities of the Corporate Services Division are to:

- Develop and implement finance and administration policies and procedures
- Provide finance and administration advice and assistance
- Manage finance and administration processes
- Manage information systems and technologies
- Provide secretariat services to the Advisory Committee
- Provide budget and expenditure management information and advice
- Lead strategic planning exercises, prepare the Service Plan, monitor corporate performance and report-out quarterly
- Prepare the Annual Service Plan Report
- Provide training and recruitment co-ordination services
- Provide strategic Human Resource services

Services related to these core responsibilities are delivered by Commission staff.

Other entities deliver supplementary or complementary services. Traditional human resource services are provided by the Public Service Agency under a Service Level Agreement. Certain technology services are provided by the Common Information Technology Services agency, also under a Service Level Agreement. Payroll services are provided by the Ministry of Management Services. Staff training and development programs are provided mainly through Employee Learning Services, a branch of the Public Service Agency.

Computer help desk services are provided by Tecnet, a private firm. Other computer contracts are also provided by private vendors.

Ad hoc contracts are in place for other programs and services.

Contracted services provided by government entities are annually evaluated on a value-for-money basis by Corporate Services staff. Contracted services provided by private firms are evaluated throughout the year, with a rigorous review at the completion of the contract.

Service delivery is provided and administered in a manner consistent with public sector values. Those values include probity, prudence, legality, economy, efficiency, and effectiveness. The division ensures such an approach through adherence to Commission and government policies and procedures, supervisor and management review, and the independent review of auditors.

OGC

Corporate Services Division – SPEC Achievements for 2003/04:

Single-Window Service

- Captured spatial representation of all oil and gas pools in BC

Performance Based Regulation

- Completed the Compliance & Enforcement Site Inspection System

Efficiency and Effectiveness

- Instituted electronic forms
- Completed an overhaul of internal records - one thousand boxes sent off-site
- Centralized asset management and facilities into one position
- Upgraded AccPac
- Eliminated the backlog of pipeline billings
- Completed the Bulk Well Name Change function
- Initiated in the participation of several multi-year government projects such as the Integrated Land and Resource Registry Project
- Completed e-Pass scheme to accept TRIM data
- Executed the first data sharing agreement with an industry client

Collaboration with First Nations

- Assisted in the provision of GIS training and resources to First Nations communities

OGC

Corporate Services Division – Other Achievements for 2003/04:

Financial Planning:

- Completed the 2004/05 budget after preparing over 100 sensitivity analyses
- Established SCEK Fund financial statements & bank account
- Assumed financial review of drilling deposits

Strategic Human Resources:

- Established Strategic Human Resource Manager
- Established Recruitment & Training Coordinator
- Assumed leadership of the EmPower Initiative
- Established Service Level Agreement with the Public Service Agency
- Assumed Human Resource Charter Project of Government
- Created the Centre of Excellence Library

Administration:

- Completed the 2004-2007 Service Plan
- Established the board administration model
- Established professional administration of the Advisory Committee
- Led the Provincial Employees Community Services Fund drive for the Northeast

Finance & Administration:

- Set up the Fort Nelson office
- Led a facilities planning exercise
- Led the reduction of archived vacation in the Commission

Information Systems:

- Established the Information Systems Steering Committee
- Established the Information Systems Project Proposal Guidelines
- Completed the migration to the IDIR domain
- Upgraded print and file servers
- Upgraded database server to Oracle 9i
- Created a new OGC web page
- Provided GIS training to staff
- Worked with CAPP on the Boreal Forest Initiative
- Worked with MOF to interface with their Forest Tenure Application System
- Developed the Winter Stream Crossing Portal

OGC

Financial Report

Management Discussion and Analysis

Results of Operations

The Commission budgeted for expenses to exceed revenues in the amount of $2.183 Million. The Commission ended the year with expenses exceeding revenues by $0.427 Million. The variance is the result of two factors:

- Revenue was up 24% over the budgeted amount. This increase in revenue is due to a significant and unforeseen increase in industry activity.
- Expenses were up 12% over the budgeted amount. This increase in expenses is due to First Nations payments, which are directly related to industry activity.

Revenues are not tracked by division or branch. However, expenditures are tracked by division and branch. Those expenditures, a detailed variance analysis, and a plain language presentation of our financial results are available at the Commission web site.

Expenditures are shown by Service Plan goals on page 45, as well as in the 2004-2007 Service Plan. However, resources have traditionally not been allocated explicitly by goals or activities. In the future, the Commission will make efforts to explicitly link resources to goals and outcomes during the annual budgeting cycle.

Resource allocation is made through the annual strategic and budgeting cycle:

Summer	Board gives management overall strategic direction for the upcoming year
	Management undertakes strategic planning exercises and identifies program priorities
Fall	Commission receives budget guidance from the CAPP/SEPAC and the Board
	Commission creates the draft budget
	Commission presents the draft budget to CAPP/SEPAC and the Board
Winter	CAPP/SEPAC give 'concurrence' with the final draft budget
	Board approves the budget
	Budget is tabled in the Legislature
Spring	Budget is delegated to responsibility centre managers

The level of funding was largely sufficient to meet Service Plan initiatives and performance targets. As mentioned previously, five satisfaction surveys were planned but found to be too costly and were immediately withdrawn from consideration. Operating results were not adversely affected by increased activity. Financial results were positively affected by the change in activity. The deficiency of revenues over expenses was therefore less, and closing cash balance greater, than originally forecast.

Capital expenditures for the year were $333,000.

The Commission is funded by the oil and gas industry. Commission revenues have two components. The first component is the levy, which is based on oil and gas production. It is fairly stable and changes slowly as overall production changes. It is somewhat linked to commodity prices: pricing trends influence activity, and over the long term activity levels affect production. The second component is fees. Fee revenue is related directly to exploration activity and is volatile, changing quickly based on commodity prices and other factors.

The Commission takes a conservative view on activity levels when developing the annual budget.

Variable costs include:

- salary and benefit payments
- First Nations payments
- operational payments

Fixed and semi-fixed costs include:

- facility lease payments
- vehicle lease payments

The Commission has leased office space in Fort St. John, Fort Nelson, Kamloops, and Victoria. The Commission also has leased vehicles.

Variable costs make up the greater proportion of Commission expenses:

Payments to First Nations are based on MOU's or Agreements, and are tied to industry activity.

Corporate Services Division prepares quarterly financial forecasts at June 30, September 30, and December 31, and monthly thereafter, to:

- identify forecast net revenue and closing cash balances
- advise senior management
- make appropriate recommendations to the Commissioner

Oversight

Oversight is defined as "Watchful care…". [1]

The Board and Board Audit Committee provide an oversight role in the governance of the Commission. Oversight activities include ensuring that appropriate plans and policies are in place, approving the Commission's budget and service plan, and reviewing the Commission's performance to planned targets.

Financial statements of the Commission are audited by the Auditor General of British Columbia. In 2004/05, as a result of a change to the *Auditor General Act*, the Audit Committee has the option of having the audit performed by an independent professional accounting firm. The Auditor General would still manage the contract and lead the audit.

The financial statements of the Science and Community Environmental Knowledge (SCEK) Fund are also audited independently, and are part of the SCEK Fund Annual Report.

The Advisory Committee provides a level of oversight with respect to operating decisions. Any interested party may initiate a Request for Reconsideration by Alternate Dispute Resolution (ADR) to the Advisory Committee if they feel a better decision could have been made through ADR. The Advisory Committee is independent of the Commission. Information about the Committee is available on the OGC website and in Appendix 2.

Staffing Levels

The Commission started the year with 125 positions (99 filled) and ended the year with 139 positions (127 filled). The increase in positions was authorized to meet the significant growth in industry activity.

[1] *The American Heritage® Dictionary of the English Language, Fourth Edition.*

Key Performance Drivers

1. Business & Policy Environment

- Industry Activity:

  A level of industry activity that approximates the forecast is essential for the Commission to achieve its goals and objectives. Otherwise, revenue will be insufficient to meet operating needs. To mitigate this risk, the Commission works closely with the Ministry and other parties to ensure that forecasts are as accurate as possible. Staff also watch exploration and production data closely to identify unfavorable trends. In such cases, options are presented to the Commissioner.

- Legislation:

  It is essential that the Commission has a regulatory framework that is results-based and single-window in nature. Otherwise, the Commission would experience inefficiencies and unfavorable client satisfaction. The Commission has adopted a number of strategies to further an improved regulatory framework. Please refer to the 2004-2007 Service Plan.

2. Internal Environment

- Information Systems:

  Data and information are vital to effective decision making. Improvements have been made throughout the Commission's information systems. A data improvement project has been initiated to improve pipeline data integrity. A corporate metrics project is also underway, and enhancements will be initiated during the new fiscal year. A key outcome will be a change from measuring Working Days to Calendar Days for project assessments. Much work remains ahead for this important performance driver.

- Staff:

  Service delivery competence is critical for the Commission to achieve its vision of being "the regulatory leader". Staff capability is a key ingredient of this competence. The Commission has taken a number of steps to address this performance driver. Performance appraisals or performance plans will be in place for all staff by the end of 2005/06. A Recruitment and Training Coordinator position has recently been established, as has a Strategic Human Resources Manager. A corporate Human Resources Plan has been created and approved. Training and professional development guidelines have recently been created. These initiatives will go far in ensuring that staff competencies and productivity are enhanced.

Risk

At the start of the year, the Commission identified ten risks:

- Gas volumes
- Commodity prices
- Activity levels in the province
- Activity levels in other provinces
- Changes in energy policy
- Coalbed gas development
- Increased depth of wells in the Northeast and increased levels of H2S of those wells
- Impact of use of alternative energy sources
- Ability to recruit and retain qualified and motivated employees
- Weather

The Commission ultimately experienced one unanticipated and material event during the year: an unprecedented high level of activity in the industry. Some increase in industry activity was originally expected. However, the extent of the increase was substantial. The level of activity impacted the organization through increased workload, increased staffing requirements, increased overtime, and an inability to achieve 100% of planned strategies.

Nevertheless, most strategies and all measured performance targets were accomplished during the year. Those accomplishments have been highlighted throughout this report.

Commission management will continue to assess current and potential risks and to prepare necessary mitigation plans.

In 2004/2005, an independent risk assessment will be conducted by a risk management professional. In 2005/06, Corporate Services Division will formulate an Enterprise Risk Management Plan. The plan will:

- Identify and explain risks facing the Commission
- Categorize the risks between short- and long-term
- Describe the Commission's tolerance to risk
- Identify strategies for managing risk

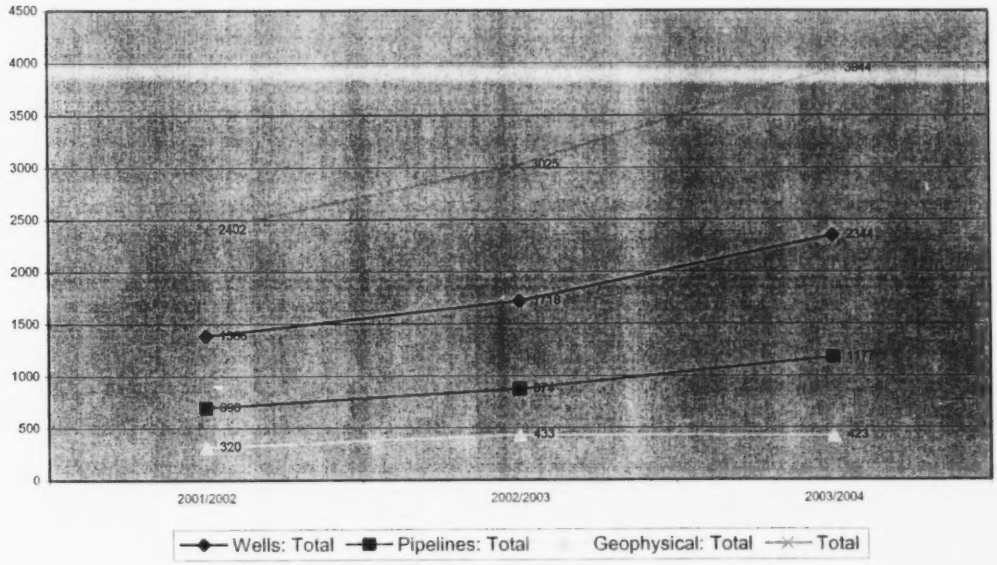
Together, these tools will provide a greater level of assurance to the Board, management, clients, and stakeholders that any material risks have been identified, assessed, and mitigated or managed.

The Commission has completed an environmental scan by reviewing the operating environment. Management believes the following risks may impact operations. The risks are categorized uncontrollable or controllable:

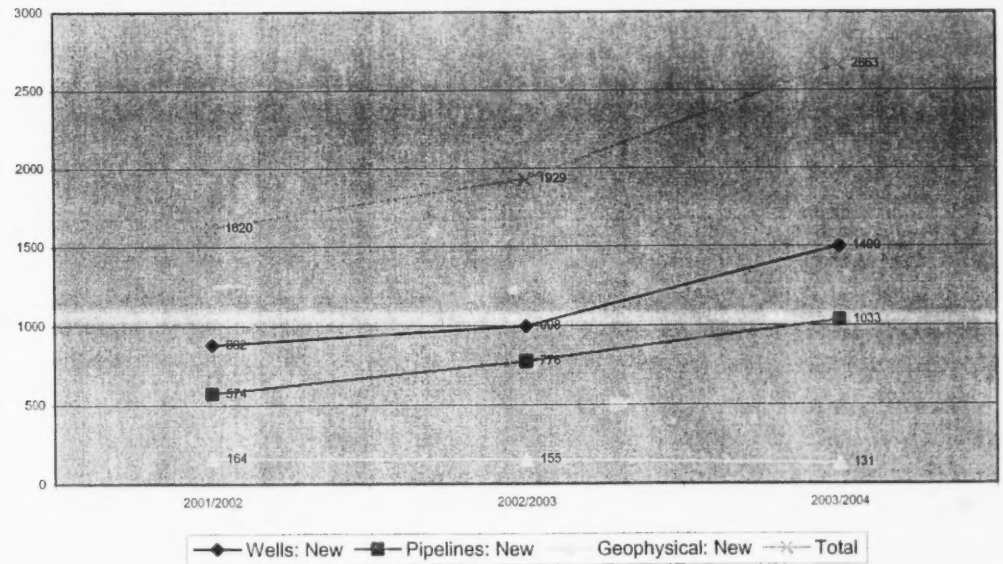
Risk	Description	Likelihood	Impact	How Managed
Uncontrollable				
Unfavorable Price Fluctuations	Commodity prices of oil and natural gas. As prices change, the level of industry activity and therefore Commission revenue also changes. Tolerance: Moderate.	Short Term: Unlikely Long Term: Almost certain	Decrease in revenue if the price drop is material.	Work closely with Ministry and other parties to ensure forecasts are as accurate as possible Monitor price and production data closely Develop contingency plans
Unfavorable Volume Fluctuations	Production of oil and natural gas in BC. As fields are put into production or are abandoned, both volume levels and revenues will change. Tolerance: Moderate.	Short Term: Unlikely Long Term: Likely	Decrease in revenue	Work closely with Ministry and other parties to ensure forecasts are as accurate as possible Monitor price and production data closely Develop contingency plans
Unfavorable Weather	Temperature. Temperature variations, and the timing of winter freeze-up and spring break-up, can lead to variations in industry activity. Tolerance: Moderate.	Short Term: Possible Long Term: Likely	Decrease in revenue	Monitor weather reports closely. Develop contingency plans
Controllable				
High Employee Workload	As the Commission assumes a greater scope of activities and oversees more industry activity, capacity to manage can become stretched. Tolerance: Low.	Short Term: Almost certain Long Term: Unlikely	Degradation of employee morale. Reduction in client satisfaction. Inability to meet Service Plan goals and targets	Focus on Service Plan priorities and core business activities. Establish business process improvement initiatives. Ensure resourcing requirements are in place before initiating a MOU. Ensure decisions are informed as to resource requirements.
High Employee Turnover	As industry expands, staff are attracted to or recruited by industry. Tolerance: High. (Turnover is 6%.)	Short Term: Unlikely Long Term: Possible	Loss of corporate knowledge. Training requirements for new staff. Reduction in client satisfaction	Initiate HR Plan projects. Monitor employee turnover.

Historical Operating Data

- The number of Total Applications increased 30% over the previous fiscal year:



- The number of New Applications increased 38% over the previous fiscal year:



OGC

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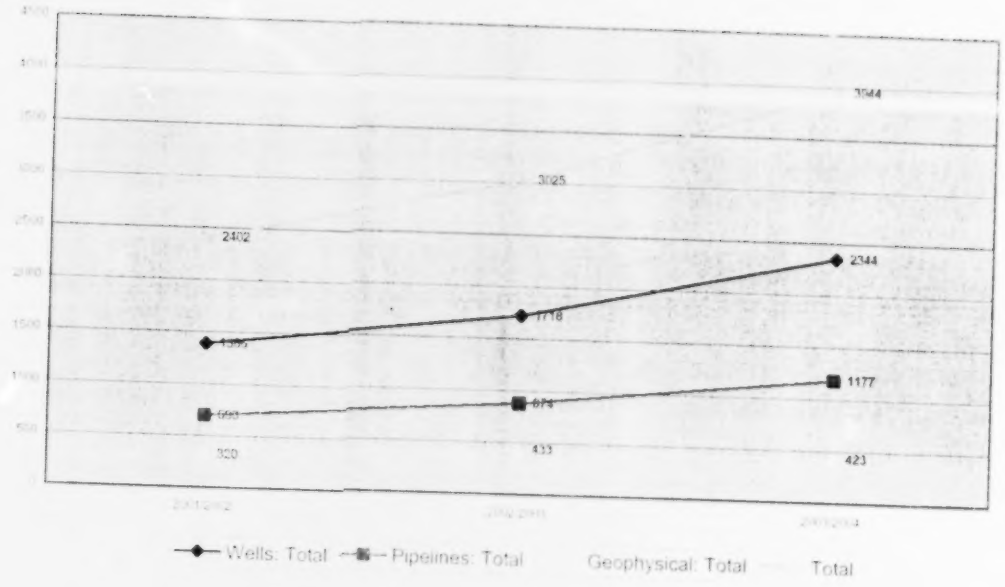

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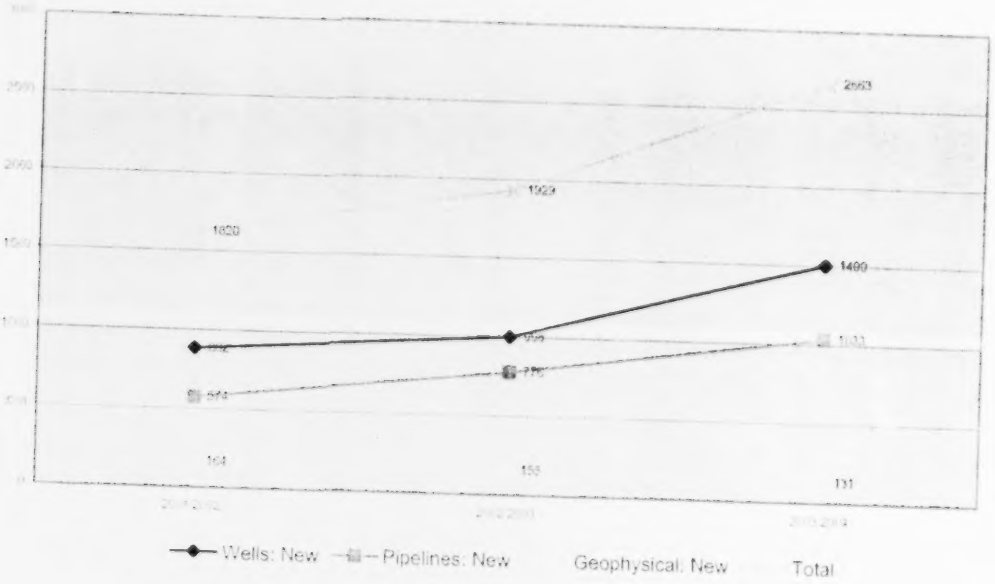
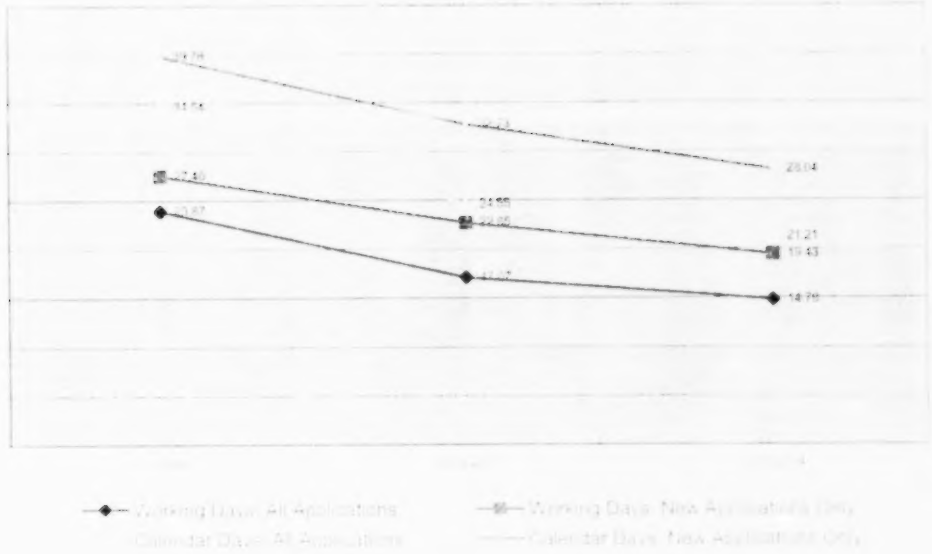


OGC

- Service to industry continues to improve, with the number of days to assess projects declining each year



- General Development Plans, which are an area-based project assessment option for industry clients, continue to yield significant benefits. The steeper the curve, the more rapid is the project assessment

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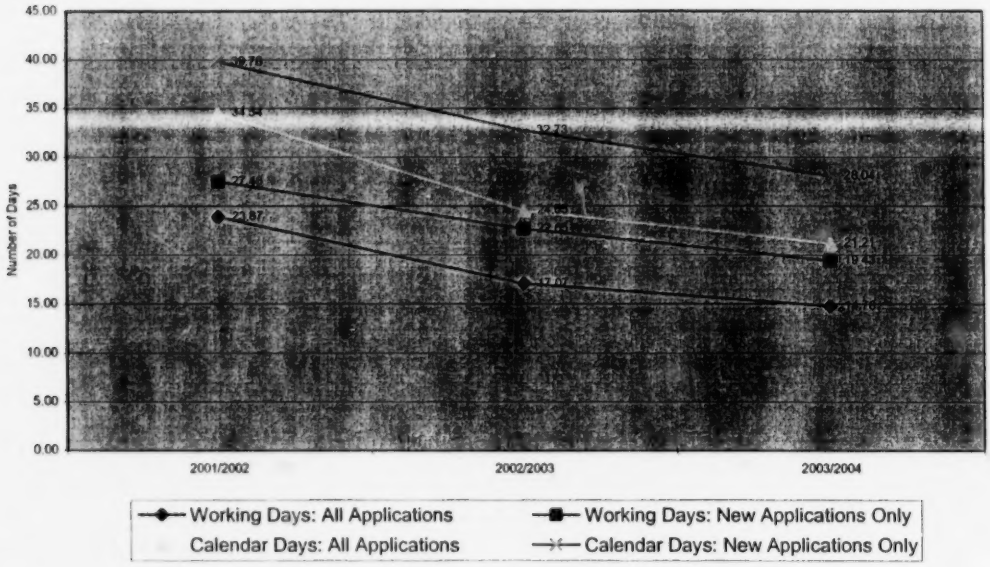

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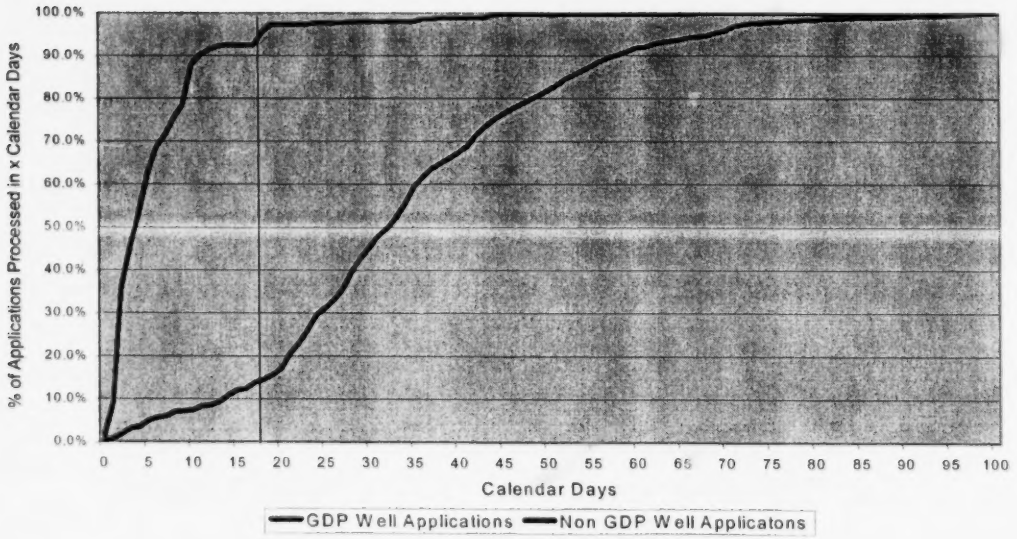


Management Perspective of the Future

The Commission has developed a three year financial plan. The details are on the following page.

While fees and levies have remained constant or fallen since the inception of the Commission, operating costs have increased over time. As a result, the Commission has experienced decreasing working capital and cash balances. The three year financial plan therefore includes revised fees and levies to address this situation. With this new revenue model in place, management is confident that the Commission has the capability and capacity to achieve operating and financial targets. Revenue will now be at a level sufficient to meet operating costs and working capital requirements.

Other strategies and tactics are in place to ensure that the Commission has both the capability and capacity to achieve performance targets:

- A new cash management model
- A new Information Systems management model
- A new business process review and improvement model
- A new model to enhance staff competencies

These initiatives will play a significant role in ensuring that the Commission has both the capability and the capacity to achieve performance targets.

Please refer to the 2004-2007 Service Plan for other strategies and measures.

OGC

Summary Financial Outlook ($000)	2003/04 (Budget)	2003/04 (Actual)	2004/05 (Budget)	2005/06 (Forecast)	2006/07 (Forecast)
Revenue					
Fees	8,806	14,218	14,172	15,797	16,472
Levies	7,642	6,221	10,438	9,894	9,946
Miscellaneous	102	120	50	50	50
Total Revenues	**16,550**	**20,559**	**24,660**	**25,741**	**26,468**
Expenses					
First Nations	6,580	8,779	7,910	9,020	10,130
Salaries and Benefits	8,314	8,343	10,514	10,584	10,578
Operating Expenses	3,934	3,959	5,047	4,947	5,343
Total Expenses	**18,828**	**21,081**	**23,471**	**24,551**	**26,051**
Operating Income (Loss)	**(2,278)**	**(522)**	**1,189**	**1,190**	**417**
Amortization of Contributed Assets	95	95	95	95	95
Net Revenue (Loss)	**(2,183)***	**(427)**	**1,284**	**1,285**	**512**
Linking Goals with Required Resources					
1. Improve public safety, protection of the environment, and conservation of petroleum resources	3,021	3,098	4,005	4,005	4,085
2. Make timely and informed decisions	2,839	2,702	3,298	3,298	3,364
3. Strengthen our relationships	1,465	1,407	2,132	2,132	2,175
4. Improve operations and one-window service	444	425	517	517	527
5. Personal-best performance environment; and 6. Reasonable Financial position; and Commission Wide	4,479	4,670	5,609	5,579	5,770
Total Required Resources (Direct Operating Costs: Total Expenses less First Nations payments)	**12,248**	**12,302**	**15,561**	**15,531**	**15,921**

* The Commission received budget guidance from the Canadian Association of Petroleum Producers (CAPP) to achieve a targeted deficit of ($2.183)M for the fiscal year in order to reduce the cash balance.

Key Assumptions	Forecast Risks and Sensitivities
• New well applications are 1500, 1750, and 2000 per year (OGC Forecast). • Gas volume increases are 5.7%, 5.7%, and 5.0% (Ministry of Energy and Mines). • Oil volume decreases are 2.1%, 2.6%, and 1.8% (Ministry of Energy and Mines). • Inflation is forecast at 2% per year (Treasury Board). • Commodity prices remain relatively stable. • Gas Levy: 32¢, 29¢, & 29¢. Oil Levy: 64¢, 58¢ & 58¢. • Well Authorization Fee: $8,600, $8,300, & $8,000. • Staffing level remains constant at 140 Full Time Equivalents (FTEs). • Contributions to SCEK Fund are on hold for the first two years due to its favorable surplus cash position. In Year 3, contributions are 1¢ (Gas), 2¢ (Oil), & $400 (Wells) out of the above Year 3 levies and fee.	• Commodity prices • Weather • Oil and Gas Production • Industry activity in other jurisdictions Please see 'Key Risks and Capacity Influencers' section of the 2004-2007 Service Plan.

Capacity

Current capacity is approximately 1600 Well Authorizations given the results of operations for the year. The forecast for 2004/05 is 1500 Well Authorizations. However, the forecast for 2005/06 is 1750 Well Authorizations. The Commission is therefore actively making improvements to business processes and to information systems to address this capacity gap.

The primary capacity driver is the number of relatively resource-intensive business processes. Business process reviews and improvements are now underway and will remain a key strategy. An encouraging tool are General Development Plans (GDP's), recommended by First Nations. These plans allow industry to submit their overall program on an *area* basis. The Commission will encourage industry to continue to work with First Nations and make full use of GDP's. Other area-based assessment models are being investigated.

The second capacity driver are the constraints of our information systems. The information systems function well at the operating level, but they provide limited tactical information and no strategic information. Numerous improvements are identified in the Information Systems Plan for 2004/05.

Therefore, the two areas where the Commission must focus to build the capacity to succeed are in business processes and information systems. Capacity limitations in those two areas impacted operations during the year by reducing overall efficiency and timeliness. Those limitations were offset to some degree by increased staff overtime and other strategies.

It is the assessment of management that the organization's key areas of capacity are improving. Capacity is a concern to management, and planned enhancements will be tracked rigorously. If the number of Well Authorizations are forecast to exceed 1500 during the year, complementary strategies will be established such as the expedited hiring of term or contract staff.

Data Integrity

Management's confidence in the integrity of financial data is high. The Commission uses two common and effective financial software packages: ACCPAC and CaseWare. Essentially, ACCPAC is used to enter financial transactions and CaseWare is used to present financial information. Finance staff are knowledgeable and staffing levels stable. Management reviews financial reports and transactions to assess data integrity. Nevertheless, in 2004/05 staff will conduct a thorough review of the financial information systems and assess the need to introduce a new system. Management is particularly interested in packages that offer enhanced financial modeling capabilities. This work can be extremely time-consuming using various Excel spreadsheets.

Management's confidence in the integrity of operating data is moderate. The Commission has an Information Systems branch that manages the development and maintenance of operating systems. Controls are in place to ensure the integrity of operating data. For example, audits can be conducted on IRIS tables. However, there are challenges for the Commission. These challenges include pipeline data and the development of operating performance indicators, or 'metrics'. Management has initiated a project to resolve a pipeline data issue. Management has also contracted an independent data professional to determine areas for improvement for metrics. Those improvements will be initiated on an expedited basis once the report is complete and the Executive team has approved the changes.

Disclosure Statement

Management is responsible for the information disclosed in the Management Discussion and Analysis, including responsibility for the existence of appropriate information systems, procedures, and controls to ensure the information used internally by management and disclosed externally is complete and reliable.

Capital Planning

The Commission has no major capital plans at this time.

Confidentiality

No information in this report is deemed to be confidential.

OGC

Oil and Gas Commission
Financial Statements

March 31, 2004

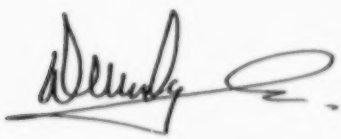
OGC

Statement of Management Responsibility

The financial statements of the Oil and Gas Commission for the year ended March 31, 2004 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of the Commission as at March 31, 2004, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Oil and Gas Commission. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of the Oil and Gas Commission.



Derek Doyle
Commissioner

Craig Wilkinson
Division Leader, Corporate Services

May 7, 2004

OGC

Report of the Auditor General of British Columbia

To the Members of the Board of Directors
of the *Oil and Gas Commission*, and

To the Minister of Energy and Mines,
Province of British Columbia

I have audited the statement of financial position of the *Oil and Gas Commission* as at March 31, 2004 and the statements of operations and net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Oil and Gas Commission* as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 7, 2004

Wayne Strelioff, FCA
Auditor General

OGC

Oil and Gas Commission
Statement of Financial Position
March 31, 2004
(in $000s)

	2004	2003
Assets		
Current assets		
Cash	**3,890**	9,359
Accounts receivable	**2,584**	2,834
Due from Province of British Columbia *(Note 4)*	**1,411**	1,516
Prepaid expenses	**53**	36
	7,938	13,745
Capital assets *(Note 3)*	**1,661**	1,699
	9,599	15,444
Liabilities and Net Assets		
Current liabilities		
Accounts payable	**375**	542
Due to First Nations	**1,152**	3,284
Due to the Province of British Columbia *(Note 4)*	**1,231**	1,966
	2,758	5,792
Due to SCEK Fund	**-**	2,289
Net Assets		
Net assets	**6,413**	6,840
Contributed assets *(Note 5)*	**428**	523
	6,841	7,363
	9,599	15,444

Science and Community Environmental Knowledge (SCEK) Fund *(see Note 7)*

Commitments *(see Note 6)*

On behalf of the Board

Dr. Sheila Wynn
Board Chair

Derek Doyle
Commissioner

The accompanying notes are an integral part of these statements.

OGC

Oil and Gas Commission
Statement of Operations and Net Assets
For the period ended March 31, 2004
(in $000s)

	2004	2003
Revenues		
Fees	**14,218**	11,073
Levies	**6,221**	6,756
Miscellaneous	**120**	102
	20,559	17,931
Expenses		
First Nations	**8,779**	5,347
Salaries and benefits	**8,343**	6,272
Building occupancy	**857**	528
Telecommunications and info systems	**741**	800
Travel and vehicle costs	**680**	578
Professional services and training	**864**	601
Amortization	**371**	299
Office supplies and equipment	**435**	507
Grants	**2**	1
Miscellaneous and bad debts	**9**	-
	21,081	14,933
(Deficiency) excess of revenues over expenses	**(522)**	2,998
Amortization of contributed assets *(Note 5)*	**95**	69
Net (deficiency) excess of revenues over expenses	**(427)**	3,067
Net assets beginning of year	**6,840**	3,773
Net assets end of year	**6,413**	6,840

The accompanying notes are an integral part of these statements.

Oil and Gas Commission
Statement of Cash Flows
For the period ended March 31, 2004
(in $000s)

	2004	2003
Cash Flows from operating activities		
Cash generated from:		
Fees	**14,347**	12,376
Levies	**6,411**	8,055
Miscellaneous	**156**	148
	20,914	20,579
Cash used for:		
Payments to First Nations	**10,911**	7,353
Salaries	**9,013**	4,412
Operating costs	**3,879**	3,685
	23,803	15,450
Cash (used in) from operating activities	**(2,889)**	5,129
Cash (used in) investment activities		
Purchase of capital assets	**(333)**	(916)
Cash transferred to SCEK	**(2,247)**	-
(Decrease) increase in cash	**(5,469)**	4,213
Cash beginning of year	**9,359**	5,146
Cash end of year	**3,890**	9,359

The accompanying notes are an integral part of these statements.

1. The Oil and Gas Commission

The Oil and Gas Commission (the "Commission") was established under the *Oil and Gas Commission Act* on July 30, 1998, to administer industry activity on oil and gas lands and to resolve industry land use and economic issues related to Aboriginal Lands on behalf of the Province of British Columbia.

The Commission is funded through revenue from the consolidated revenue fund of the Province of British Columbia derived from:

- Levies from oil and gas production,
- Fees in relation to applications for and issuance of approvals, licenses, permits and other authorizations issued by the Commission under the *Petroleum and Natural Gas Act* and the *Pipeline Act*, and
- Annual fees prescribed under the *Petroleum and Natural Gas Act* and the *Pipeline Act*.

The Commission is exempt from federal and provincial income taxes.

2. Significant accounting policies

The financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

Capital Assets

Capital assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

• Furniture, equipment and tenant improvements	10 per cent
• Computer hardware	33 per cent
• Computer software	100 per cent

Amortization associated with assets paid for by the Province of British Columbia is transferred from contributed surplus to revenue each year. See *Note 5*.

Revenue recognition

All fee and levy revenue authorized and collected under Section 23 of the *Oil and Gas Commission Act* is first paid to the Minister of Finance. The Province then transfers this amount of revenue to the Commission.

Revenue is recognized when it is earned. The Oil and Gas Levy is assessed in the second month following production; therefore, revenue for February and March is estimated based on an analysis that takes into account both historical and current year trends. Fees under the *Pipeline Act* for pipelines and gas and compressor stations are recognized when earned, that is, when "leave to open" has been granted.

Fees and levies collected on behalf of the Science and Community Environmental Knowledge Fund are reported separately from the Oil and Gas Commission. Audited financial statements are available upon request.

Employee benefit plan

The Commission and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. The Public Service Pension Plan is a multi-employer, defined benefit plan and is available to substantially all of the Commission employees. On behalf of employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The most recent actuarial valuation (March 31, 2002) has determined the Plan is in a surplus position. The Corporation also annually contributes through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The cost of these employee future benefits is recognized as an expense in the year that contributions are paid. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship where the management, risks and benefits are shared between the employers and employees.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. Capital assets

	2004			2003
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Furniture, equipment,& tenant improvements	2,253	(763)	**1,490**	1,563
Computer hardware	412	(243)	**169**	100
Computer software	449	(447)	**2**	36
	3,114	(1,453)	**1,661**	1,699

4. Due from/to the Province of British Columbia

	2004	2003
Due from:		
Accrued leave liability	**120**	120
Contract Reimbursement	**268**	326
Fee and levies	**1,023**	1,070
	1,411	1,516
Due to:		
Operating expenses	**1,231**	1,966
	1,231	1,966

5. Contributed assets and forgiveness of start-up costs

During its first year of operation (1998/1999) the Commission borrowed funds from the Province to finance its purchase of start-up capital and pay for other start-up costs like professional contracts. The total of all of these amounts was $1,620.

During the 2000/01 fiscal year the Province forgave this amount and the amount equal to the capital assets. They were recognized as a contributed asset.

Contributed assets are reduced each year and an amount transferred to revenue equal to the yearly amortization.

	2004	2003
Contributed assets beginning of year	**523**	592
Amortization of contributed assets	**(95)**	(69)
Contributed assets end of year	**428**	523

6. Commitments

The Commission occupies leased office buildings in Fort St. John, Victoria and Kamloops for which building occupancy fees are paid to the British Columbia Building Corporation. The lease for the Fort St. John office space runs until March 31, 2013 with no early release option. The office space in Victoria is managed through the Ministry of Small Business and Economic Development with no fixed end date, and requires six months notice to vacate. The lease for the space in Kamloops ends on April 1, 2007.

The Commission has entered into a number of short-term leases and support agreements. These are for vehicles and office equipment.

The Commission's total fiscal year commitments are:

Fiscal Year	Amount
2005	1,047
2006	928
2007	729
2008	712
2009	703

7. Science and Community Environmental Knowledge (SCEK) Fund

The Oil and Gas Commission administers this fund on behalf of the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC). Funding is generated through a portion of the levy on oil and gas production and a portion of the application fee for wells. This money is restricted for use for projects and administration of the Fund.

Prior to fiscal year 2003/04, SCEK Fund financial information was included in the Oil and Gas Commission financial statements and all cash was pooled in one operating bank account. To provide better transparency, control and more meaningful information about the SCEK Fund and the Oil and Gas Commission, separate bank accounts are now used and the SCEK Fund financial statements are reported separately. All financial information has been adjusted retroactively.

8. Related party transactions

The Commission is related to all Province of British Columbia ministries, agencies and Crown corporations. The Commission leases office from the British Columbia Buildings Corporation. The Ministry of Management Services provided payroll services during the year at no cost to the Commission. The Ministry of Attorney General acted as the Commission's primary legal advisor during the year on a cost recovery basis. The Public Service Agency provided human resource services during the year under terms of a Service Level Agreement.

9. Comparatives figures

Certain comparative figures have been restated to conform to the presentation used in the current year.

Corporate Governance

A new governance structure was approved by government under the *Energy and Mines Statutes Amendments Act, 2002*, and implemented on June 24, 2003.

A three-member Board of Directors governs the Commission. The Deputy Minister of Energy and Mines, Dr. Sheila Wynn, is the Chair. The Commissioner is Vice Chair. John Bechtold, a government appointee, is the third Director.

A Governance Manual has been created and approved by the Board. It is available to view upon request.

The responsibilities of the Board include:

- Establishing the Commission's organization
- Providing strategic direction to the Commission
- Ensuring appropriate plans, programs, and policies are in place
- Approving the Commission's budget, service plan, and regulatory initiatives
- Regularly reviewing the Commission's performance to planned targets and budgets

The Chair has the following responsibilities:

- Approving the Governance Manual
- Scheduling and conducting Board meetings
- Signing approved Decision Notes
- Reviewing the Commissioner's Performance Plan
- Reporting to the Minister of Energy and Mines on the activities of the Commission
- Ensuring alignment with appropriate government policies

The Vice Chair/Commissioner has the following responsibilities:

- Leading and managing the operations of the Commission
- Approving internal operating procedures at the Division level
- Acting as the Chair in his/her absence
- Supervising and leading the Executive team of the Commission
- Responding to recommendations of the Advisory Committee
- Upholding the regulatory framework

The Commissioner is accountable for the operations and performance of the Commission.

The third Director is responsible to chair the Audit Committee.

The number and composition of the Board will be assessed as part of the Oil and Gas Regulatory Improvement Initiative.

The Board operates under a Carver-like governance model; it is strategic and advisory rather than operational. Principles and practices are identified in the Governance Manual. The Board assesses its adherence to those principles through periodic informal reviews.

There is one standing committee of the Board: the Audit Committee. It is comprised of the Board Chair, the third Director, and the Division Leader of Corporate Services. The Committee is responsible to:

- Ensure the adequacy of internal controls
- Ensure compliance with financial policies and procedures and Generally Accepted Accounting Principles (GAAP)
- Meet at least annually with the Commission's auditors, and to approve draft audit responses by management
- Select the Commission's auditors
- Ensure effective risk management practices are in place

Audit Committee Terms of Reference are available to view upon request.

The Commission's Executive Team is comprised of the following individuals:

- Derek Doyle, Commissioner
- Craig Wilkinson, Division Leader, Corporate Services
- Joyce Beaudry, Division Leader, Relationships and Client Services
- Kameron Jones, Division Leader, Operations, & Deputy Commissioner
- Harleen Price, Manager of Executive Office

The Commission's Director Team (formerly called the Senior Management Team) includes the Executive Team and:

- Ben Mitchell-Banks, Director, Compliance and Enforcement Branch
- Dave Krezanoski, Director, Operations Engineering Branch
- Larry London, Director, Project Assessment Branch
- Craig Gibson, Director, Resource Conservation
- Tom Ouellette, Director, Aboriginal Relations and Land Use
- Ken Kadonaga, Director, Regulatory Affairs
- Stephanie Neraasen, Executive Administrative Assistant

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Appendix

1a. The Nine Step Application Process at the Oil and Gas Commission

Step No.	Action
1	Application, including consultation records, is submitted to the OGC
2	OGC reviews application for impacts affecting: • Stakeholders • First Nations • Archaeology interests • Environmental Issues • Technical information
3	Enhanced consultation may be required, including: • Public safety and emergency response planning • Record of community input • Assess commitments by applicant • Give comments from application review team
4	Decision on a well authorization includes: • Construction • Drilling • Site disturbance/removal of timber • Operational impact, such as traffic and odor
5	Well installation, pipelines and facilities and compliance control
6	Preparing for production: • Applicant must apply for production activities, including flaring
7	Production commences: • Applicant must apply to test, produce, and/or flare.
8	Community consultation and notification on completion and production applications
9	Community liaison and issue management

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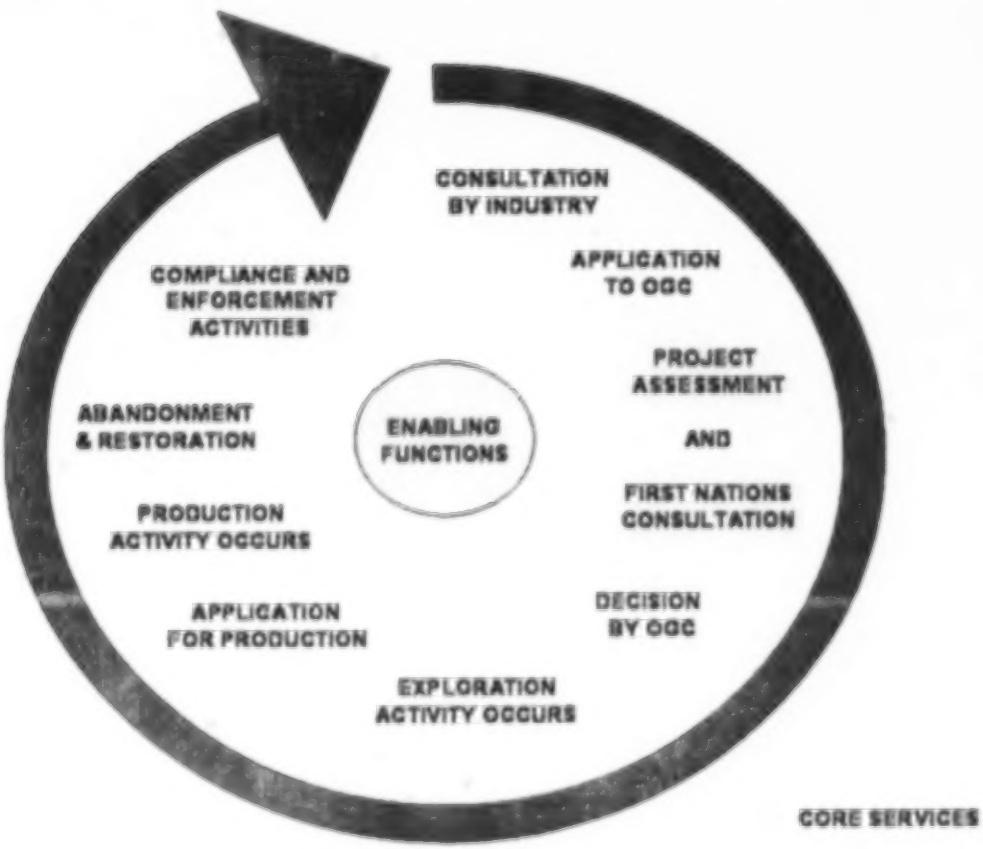
1b. Service Delivery Model of the Oil and Gas Commission



2a. The Advisory Committee

The Advisory Committee is an independent body with the following responsibility to :

- Provide advice and make recommendations to the Commission
- Assess Requests for Reconsideration by Alternative Dispute Resolution
- Anticipate and identify environmental, economic and social issues
- Review the Commission's plans and financial statements
- Assist the Commission to develop operating plans

Committee members at March 31, 2004, and terms of appointment, are:

Bob Fedderly (Chair)	Nov 2002-Nov 2004
Kathi Dickie (Vice-Chair)	Nov 2002-Nov 2006
Carylin Greatbanks	Nov 2002-Nov 2004
Jim Campbell	Nov 2002-Nov 2006
Michelle Gardner	Nov 2002-Nov 2006
Wayne Sawhuck	Nov 2002-Nov 2004
Van Greig	Nov 2002-Nov 2006
CAPP Member	Vacant

Ex officio members are:

Derek Doyle, Commissioner, Oil and Gas Commission
Cameron Lewis, Executive Director, Ministry of Energy and Mines

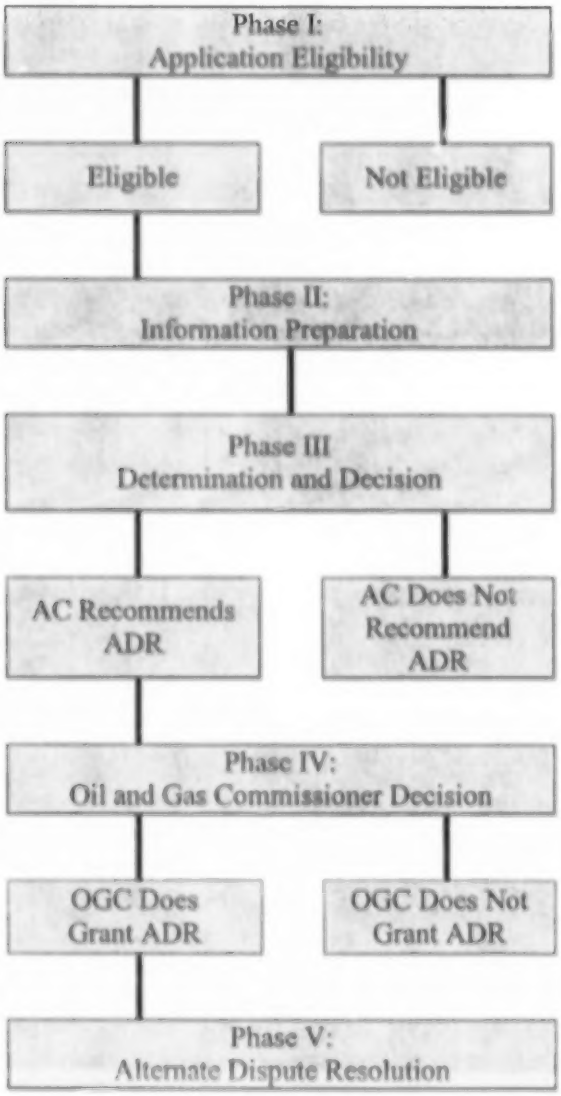
The Advisory Committee made 44 recommendations to the Commissioner during the year and 37 were implemented, or 84%.

The Commissioner has implemented overall 90.2% of Advisory Committee recommendations since the inception of the Committee.

The Committee received six applications during the year, and recommended ADR in four of those cases.

An Annual Report of the Committee will be made available through the Oil and Gas Commission's website after June 30, 2004.

2b. The Request for Reconsideration Process



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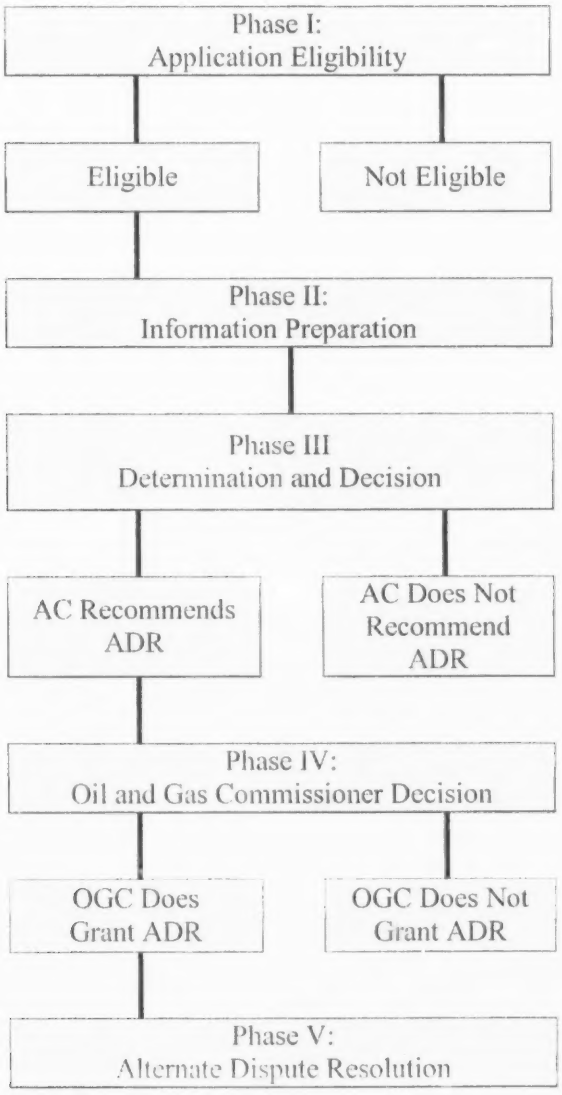
2b. The Request for Reconsideration Process



3. Oil and Gas Practice Advisory Group

The Oil and Gas Practice Advisory Group (PAG) is a joint initiative between the Commission and the oil and gas industry. The group's purpose is to raise issues of mutual concern and work toward a resolution of those issues. The Commission is committed to implementing 80% of the recommendations made by PAG.

PAG is comprised of a Steering Committee and eight subcommittees, each with expertise in a particular operational area of the oil and gas industry. The Steering Committee is comprised predominantly of the leaders of the subcommittees.

PAG is able to draw upon the knowledge and experience of many individuals. This network of individuals contributes to the identification of issues and the research and analysis that is required to bring the issues forward for resolution.

The Steering Committee examines the issues that are raised by the sub-committees. After an issue passes the scrutiny of the Steering Committee, it is passed on to the Commission for resolution.

The PAG subcommittees are:

- Community Relations, Archaeology, First Nations and Dispute Resolution
- Surface and Environment
- Seismic
- Well Drilling, Completions, Operations and Maintenance
- Pipeline Design and Construction
- Facilities Design and Construction
- Pipeline and Facilities Operations and Maintenance
- Pipeline and Equipment Systems Integrity

As a result of PAG recommendations during the 2003/04 fiscal year, the Commission:

1. Published a Camps Handbook to clarify and consolidate procedures and operating requirements for industrial camps and sewage handling at well sites

2. Established setback distance requirements for pipeline boring beneath streams

3. Clarified the standards for single-well battery design, construction and operations

4. Clarified the standards for pipeline design, construction and operations

The implementation of the above recommendations provided clarification and efficiencies for the industry while maintaining the OGC's high commitment to safety and the environment.

4. Best Practices Working Group

The Best Practices Working Group (BPWG) is composed of Government and Oil and Gas Industry members to address regulatory efficiency and service delivery issues in British Columbia related to petroleum and natural gas activities. The Oil and Gas Commission has a representative on the BPWG.

The focus is primarily on issues that require the support of other government ministries to implement change. For example, the BPWG is working with the Ministry of Transportation to address issues such as load weight and load width restrictions. Truck traffic traveling from Alberta into Northeast BC must currently adjust to a different set of requirements.

As a result of recommendations from the BPWG, the OGC:

- Implemented a "drop and go" procedure for applications
- Reduced the setback distance for well site trailers from 50 m to 25 m from the well head
- Is progressing with a regulatory amendment to harmonize drilling casing bowl equipment specifications with those of Alberta.

The OGC looks forward to continued participation with the BPWG to further improve regulatory efficiency and service delivery.

5. Public Sector Values

The Oil and Gas Commission delivers services in a manner consistent with public sector values.

The core values of government, as identified in the BC Government Strategic Plan, are:

- Integrity: to make decisions in a manner that is consistent, professional, fair and balanced
- Fiscal responsibility: to implement affordable public policies
- Accountability: to enhance efficiency, effectiveness and credibility of government
- Respect: to treat all citizens equitably, compassionately and respectfully
- Choice: afford citizens the opportunity to exercise self-determination

(Please refer to http://www.bcbudget.gov.bc.ca/stplan/#core).

The financial management objectives of government include ensuring that funds are controlled, accounted for and well managed by embracing these principles:

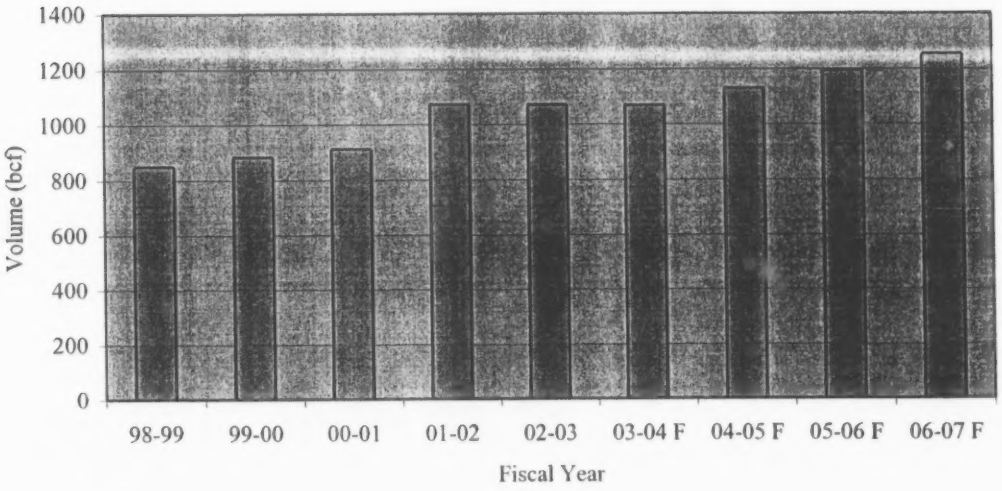
- Funds are handled properly and honestly
- Funds are spent responsibly and in accordance with statutory, regulatory and appropriation provisions, and not used for personal gain
- Funds are used economically and efficiently to deliver programs that effectively meet government's goals

(Please refer to http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/01_Governance.htm).

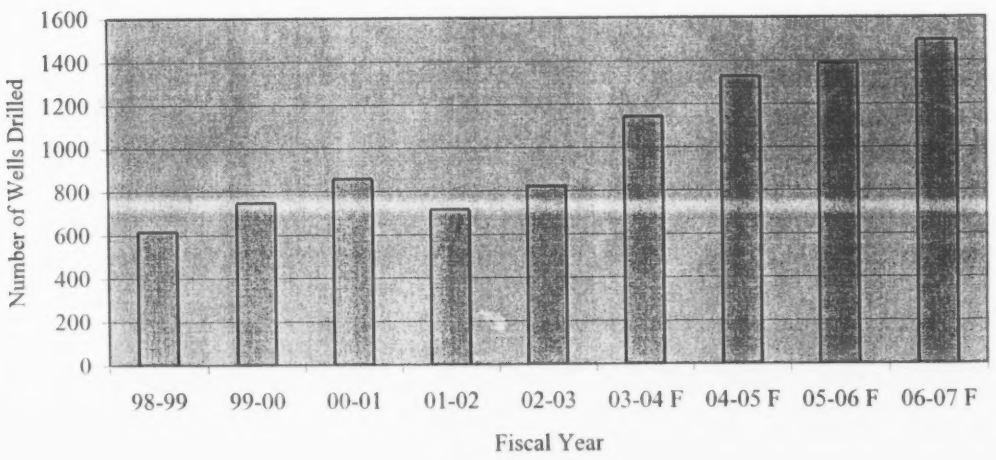
The Standards of Conduct required of all employees is available to view at:
http://www.bcpublicservice.ca/policies/Directives/5-8/05-4soc.htm

6. Industry Activity

- Raw gas production is up 26% over the last five years:



- Drilling is up 86% over the last five years:



Source: MEM (G:\OGD.shr\Service Plan\Service Plan Forecast Drilling & Production.xls). November 5, 2003

7. Balanced Scorecard Strategy Map for the Commission

"To be the innovative regulatory leader, respected by stakeholders, First Nations and clients."	
Financial Perspective	• Improved financial position • Re-establish working capital balance • Risk assessment and management/mitigation
Client & Stakeholder Perspective	• Enhanced Alternate Dispute Resolution • Enhanced working relationships with First Nations • Quarterly workshops with clients
Internal Process Perspective	• Business process review • Information Systems Plan • Continuous improvement initiatives • Single-window service to industry • Results-based and best-practices initiatives
Human Capital Perspective	• Human Resource Plan • Training and professional development • Improved competencies • Enhanced leadership

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8. Continuum of Dispute Resolution at the OGC

The OGC has a duty to resolve oil and gas development issues and disputes between affected parties, such as industry, stakeholders or First Nations. The goal of dispute resolution is to explore and understand each other's interests and to develop acceptable solutions together. The Commission works collaboratively with industry, First Nations and stakeholders to resolve a broad range of issues.

Concern/Issue	Action
Absence of Information	**Information Sharing:** -Information brochures, fact sheets, Commissioner's Update, information letters. -Sharing information at trade shows, workshops, community meetings. -Providing information in response to information requests.
Stakeholder Concerns	**Issue Resolution:** -Applications and Approvals, Aboriginal Relations and Stakeholder Relations Branches assist in resolving issues during the application review process. -Compliance and Enforcement Branch works with industry and stakeholders in resolving operational issues arising after an application has been approved.
First Nations Concerns	**Protection and Mitigation:** -Facilitated meetings between First Nations and industry. -OGC confers with Chief and Council, Land Use staff, Elders and Monitors. -Imposes terms and conditions on approvals and provides final permits. -Compliance monitoring and enforcement.
Community Concerns	**Community Engagement**: -The OGC documents concerns and shares information with communities.. -Broad-based community involvement including Buick Creek, Mile 62.5, Hudson's Hope, Fort St. John, Fort Nelson, Chetwynd, Dawson Creek and Comox. -Enhanced compliance and enforcement. -Actions tailored to meet specifics of activity and concerns (workshops, presentations, bulletins, etc.).
Proponent/Surface Dispute	**Facilitation:** -Facilitation occurs at all levels of the OGC on issues dealing with land, health, safety, wildlife, water, rehabilitation and industry performance.
Landowners/Proponent Disputes	**Mediation and Arbitration Board:** -The OGC provides information relevant to applications made to the Board, and shares information with landowners. -The OGC is adding a Farmers Advocate position.
Conflicting Tenures	**Interagency Task Group:** -The Commission is working with the Peace Managers to define a framework of best practices and procedures for consultation and conflict resolution between tenure holders. -Pre-tenure planning for oil and gas operations. -Sustainable Resource Management plans.
Oil and Gas Production Disputes	**Reservoir Engineering Studies and Decisions:** -Limits on daily production. -Off target penalties. -Pool conservation and evaluation.
Unresolved Dispute of OGC Approved Activities	**Request for Reconsideration:** -Disputant may apply to the Advisory Committee for reconsideration of the OGC activities decision. -If the Advisory Committee grants the application, it makes a recommendation to the OGC. -If the OGC grants the recommendation, it authorizes a facilitated resolution of the dispute. -The OGC reconsiders its original decision.

9. Science and Community Environmental Knowledge Fund

The Science and Community Environmental Knowledge Fund (the Fund) is a knowledge fund that is financed by industry and administered by the Commission. The money is initially collected from industry as part of the levies on production and the fee for Well Authorization applications; it is then split off by the Commission and deposited into a separate bank account. Separate financial statements are issued, and those statements are independently audited.

The Fund was established in 1998 at which time a $5 million, five-year contribution commitment was made. In 2002, CAPP and SECAP restated their support of $5 million for five years.

The Fund has undergone considerable change in the last year which has contributed to its success as a mechanism of support for a diversity of projects that promote environmentally sustainable use of the land by the oil and gas sector.

For the first time since the Fund's inception, a manager was appointed to oversee and further develop the Fund. The position was created within the OGC.

Additional improvements to the Fund over the past year include the creation of simplified application templates, transparent and accountable application and contract management processes, a fifth funding envelope – 'Community Environmental Knowledge', and a variety of extension activities (including the annual SCEK Fund Forum and Workshop).

During the fiscal year, 42 projects were considered by the Fund and 22 were accepted. The projects accepted represent a broad range of topics from within each of the funding envelopes. Fund proposals were evaluated by the Executive team and subject matter experts as required.

A total of $1,146,505 was committed to projects during the fiscal year. Eleven of the 22 projects accepted were completed within the fiscal year and the remaining eleven are multi-year projects, the majority of which will be completed in 2004/05.

A number of goals have been developed for the upcoming year in order to further develop the Fund. Some of the goals include: development of an annual strategic plan; improvement of processes to ensure implementation and sharing of research findings; development of requests for proposals for a number of research projects; a second annual forum and workshop; and pursuit of potential research partnerships.

10. Glossary

Goal:

- A broad general statement of what an organization is trying tc accomplish. They are intended to be outcome-oriented, succinct, realistic and achievable.

Key Performance Driver:

- Those activities, competencies, and qualities in which superior performance and favourable results are essential for the company, core business or segment to achieve its vision and strategic goals. Examples include workforce competencies, customer satisfaction, leadership, innovation, and technical systems.

Objective:

- A sub-element of goals. They are more detailed and refer more directly to outputs and outcomes.

Strategy:

- A specific activity that an organization will use to accomplish its goals and objectives.

OGC

Contact Information

For general information about the Oil and Gas Commission, you can contact us by:

Phone	(250) 261-5700
Mail	200, 10003 – 110 Avenue Fort St. John, B.C. V1J 6M7
Fax	(250) 261-5728

Please visit our website at www.ogc.gov.bc.ca

For more information regarding this Annual Service Plan Report, please contact the Division Leader, Corporate Services, at (250) 261-5771.